FINANCIAL TIMES

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WORLD NEWS

Police to investigate ferry sinking

The Director of Public Prosecutions yesterday asked Kent police to begin a new inquiry into the Zeebrugge ferry disaster.

This would open the way for the DPP to bring charges of manslaughter against individuals, and possibly Townsend Car Ferries, which owned the ferry at the time of the sinking, which took 188 lives. Page 4

Offer by Ortega

Nicaraguan President Daniel Ortega presented ceasefire proposals for the war with Contra rebels at a meeting with a mediator in Washington. Back Page

Italian Liberals pull out

Italy's Liberal Party, rejecting proposals to overcome its objections to the 1988 budget, said it was pulling out of the five-party coalition government.

Olive branch for ANC

The Government kept open the option of talks with the African National Congress, despite Mrs Thatcher's denunciation of it as a terrorist group. Back Page

DNA test for rape

Labourer Robert Melias was jailed for eight years in Bristol after admitting rape. It was the first conviction in the world following a "genetic fingerprinting" DNA test, relating blood samples to semen stains near his victim.

Two accused of murder

Two men were charged with murdering two Sikhs at a prayer meeting in west London on Wednesday.

VAT fraud verdicts

Four people were found guilty at the Old Bailey of offences related to an attempt to evade paying £5.5m in VAT on gold.

Iraqi jets hit tug

Iraqi jets attacking a Greek tanker in the Gulf hit a salvage tug, killing two crew. Page 2

Ethiopia famine warning

The UN warned that thousands of people faced starvation in drought-stricken Ethiopia in the next few weeks.

Sri Lanka curfew

Police imposed an indefinite curfew in the eastern Batticaloa district of Sri Lanka after troops arrested 500 suspected Tamil rebels there. Page 3

Kinnock visits Ulster

Labour leader Neil Kinnock promised full support for security forces in their fight against terrorism, during a short visit to Northern Ireland. Page 5

Prison revolt ends

Rioting inmates at a jail in Chateauroux, central France, released their 12 hostages and surrendered.

Action on degrees

The Government is to outlaw bogus degrees, said Higher Education Minister Robert Jackson. Page 4

Passengers drown

At least 39 passengers drowned in a sewage canal in Mexico City after a bus ran off a highway.

Weather man blamed

Villagers in Rewnyangi, Uganda, killed a rainmaker they blamed for a hailstorm which devastated their homes.

BUSINESS SUMMARY

Inflation rate rises to 4.5%

UK INFLATION reached an annual rate of 4.5 per cent last month following an unexpectedly high monthly increase of 0.5 per cent in the retail price index.

Price increases for a wide range of products, particularly seasonal foods and leisure goods and services, fuelled the rise. But the Government repeated its forecast that the annual rate would fall to an average 4 per cent in the final quarter. Back Page

INDUSTRIAL production in Britain grew at a rate of 3 per cent in the three months to September compared with the same period last year. Manufacturing output was up 6 per cent, but energy sector output down 3½ per cent, according to government figures. Page 4

EUROTUNNEL, Anglo-French group building the Channel tunnel, said the international tranche of its £770m share issue was fully underwritten and that it had firm indications from institutional investors that the rest would also be. Back Page

BANK OF AMERICA International is withdrawing from market making in floating rate notes. Page 10

UNITED STATES is to retaliate with tariffs against $105m (£59.3m) worth of Brazilian products in response to Brazil's decision to refuse a software licence to an American company. Page 2

EUROPEAN Commission is to investigate alleged unfair shipping freight rates by Hyundai Merchant Marine of South Korea, using for the first time shipping rules agreed by member states about a year ago. Page 2

INTERNATIONAL Digital Communications, telecommunications group led by Cable & Wireless, is to be granted a licence to operate an international telecoms business in Japan, ending C & W's two year fight for a prominent role in the industry. Page 3

NORWAY'S minority Labour Government was criticised by opposition parties for deciding against firing top management at state oil company Statoil, responsible for cost overruns of about NKr5bn (£440m) at a refinery expansion project. Page 2

TNT, Australian-based international transport group, boosted first quarter net profits 43.7 per cent to A$46.95m (£18.2m). Page 10

AUSTRALIAN entrepreneur Robert Holmes a Court, hard hit by the stock markets collapse, is selling properties worth a total of A$206m (£79.7m) to help meet debt obligations. Page 10

LORIMAR Telepictures, troubled Hollywood film studio, announced quarterly net losses of $56.3m (£32m) - largely from writedowns in estimated values of motion pictures - compared with a $2.2m loss the previous year. Page 10

BENLOX, civil engineering and investment dealing group, is extending its bid for Storehouse to December 3, having received acceptances for just 0.55 per cent of the retail group's shares. Page 8

BOC, industrial gases and healthcare company, agreed the $59.5m (£33.7m) purchase by its US subsidiary Glasrock of two healthcare companies owned by Baxter Healthcare of the US. Page 8

BASS, brewing and leisure group, renegotiated terms of a $100m (£57m) debenture issue convertible into Holiday Corporation shares after a sharp drop in the US hotel operator's share price. Page 8

MARKETS

DOLLAR

New York lunchtime:
DM 1.6895
FFr 5.73
SFr 1.3895
Y135.8
London:
DM 1.688 (1.698)
FFr 5.725 (5.7525)
SFr 1.3875 (1.3975)
Y135.9 (136.4)
Dollar index 97 (96.8)
Tokyo close Y136.05

US LUNCHTIME RATES

Fed Funds 6$\frac{11}{16}$%
3-month Treasury Bills:
yield: 6.04%
Long Bond: 99¾
yield: 8.86%

GOLD

New York: Comex Dec latest
$465.8
London: $465.25 (463.5)

STERLING

New York lunchtime $1.768
London: $1.7685 (1.7675)
DM 2.985 (same)
FFr 10.125 (10.11)
SFr 2.455 (same)
Y240.25 (239.75)
Sterling index 75.3 (same)

LONDON MONEY

3-month interbank:
closing rate 8$\frac{11}{16}$% (same)

NORTH SEA OIL

Brent 15-day Nov (Argus)
$18 (18.025)

STOCK INDICES

FT Ord 1,317.1 (−11.7)
FT-A All Share 840.33 (−1.1%)
FT-SE 100 1,678.3 (−24.2)
FT-A long gilt yield index:
High coupon: 9.26 (9.16)
New York lunchtime:
DJ Ind Av 1,940.15 (−20.06)
Tokyo:
Nikkei 22,448.25 (+901.75)

Chief price changes yesterday: Back Page

Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.75; Denmark DKr9.00; Egypt E£2.25; Finland Fmk7.00; France FFr6.50; Germany DM2.20; Greece Dr100; Hong Kong HK$12; India Rup15; Indonesia Rp3,100; Israel NS3.50; Italy L1600; Japan Y600; Jordan Fils500; Kuwait Fils500; Lebanon $1.125; Luxembourg LFr48; Malaysia Rin4.25; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway NKr8.00; Philippines Pes20; Portugal Esc100; S.Arabia Rls6.0; Singapore S$4.10; Spain Pta125; Sri Lanka Rup30; Sweden SKr8.00; Switzerland SFr2.20; Taiwan NT$65; Thailand Bht30; Tunisia Din0.800; Turkey L500; UAE Dh6.50; USA $1.00.
SELLING PRICE IN IRELAND 60p

Hongkong Bank buys 14.9% of Midland in deal worth £400m

BY DAVID LASCELLES IN LONDON AND KEVIN HAMLIN IN HONG KONG

THE HONGKONG and Shanghai Banking Corporation is to take a 14.9 per cent stake in Midland Bank, the smallest of the Big Four clearers, realising a long-time ambition to gain a foothold in the UK market.

The UK Government, which thwarted the Hong Kong bank's takeover bid for the Royal Bank of Scotland in 1981, has no legal authority to block stakes of less than 15 per cent. However, the £400m deal announced yesterday was made with the knowledge of the Bank of England and came with a pledge from the Hong Kong bank not to increase its stake for three years without Midland's consent.

Sir Kit McMahon, chairman of Midland, said the deal was "an extremely positive development" which would enhance Midland's capital and strengthen its business.

Mr William Purves, Hongkong Bank's Scottish-born chairman, said his bank had been seeking to expand in Europe for several years.

"I am very pleased indeed that we now have this opportunity to be much better represented by a bank which is well established in Britain and has strong subsidiaries across the Channel."

The deal was broached when the two chairmen met at the International Monetary Fund meeting in Washington in September.

Hongkong Bank is to buy 81m newly-issued shares in Midland at a price determined by Midland's net asset value at the end of this year. An initial payment of £383m based on Midland's mid-year value of 475p per share will be made shortly, and will be topped up once Midland's 1987 accounts have been drawn up. Sir Kit said he expected the total to be in the region of £400m.

However, Midland warned that it would be making a £100m provision for doubtful loans this year because of the unsettled economic outlook. This would be in addition to the £916m provision it made against Third World loans last summer.

The deal will need the approval of three-quarters of the shareholders at a special meeting. Midland's shares closed at 388p last night, up 30p.

The two banks claimed yesterday that their businesses fitted well together and that there was much scope for co-operation. Midland's geographical strength in Europe is complemented by Hongkong Bank's presence in Asia and the US. They also have investment and merchant banking business which could be linked.

The agreement says the banks will try to rationalise their activities to achieve cost savings. Each will retain its core businesses, but Midland may assume or buy Hongkong Bank's European operations and transfer its non-European activities to Hongkong Bank.

Sir Kit would not say which businesses would be rationalised, but Midland would retain its capital market operations in the US and the Far East.

When the deal is completed, Mr Purves and Mr Kenneth Barker, the head of Hongkong Bank's London office, will join Midland's board and Sir Kit will become a director of the Hongkong board.

Mr John Gray, Hongkong Bank's executive finance director, said that using net assets was "a fair way of valuing" Midland.

"The premium to market value

Continued on Back Page
Bifu to hold vote at Midland, Page 5;
Feature, Page 6;
Lex, Back Page

RANKING OF THE TWO BANKS
(Figures for end-1986)

	Assets($bn)	Pre-tax profits($m)	Employees	Position in world league
Hongkong and Shanghai Bank	91	n/a	50,000	31
Midland Bank	78	640	67,500	34

Source: The Banker

Share prices and dollar improve on volatile week

BY SIMON HOLBERTON IN LONDON AND STEWART FLEMING IN WASHINGTON

FINANCIAL MARKETS ended another volatile week's trading yesterday with signs of a recovery in share prices world-wide and the dollar trading above the historic lows it reached earlier in the week.

The London share market was the best performing of the major equity markets over the week, despite seeing something of a reverse yesterday. At the close the FT-SE Index, down 24.2 on the day at 1678.3, was still 3.6 per cent up compared with a week before and more than 7 per cent higher than the low it reached on Monday.

Tokyo staged an impressive recovery towards the end of the week to end level with last Friday's close; while in New York, the Dow Jones Industrial Average was by yesterday afternoon slightly lower than a week ago.

European bourses ended a turbulent week when their strength and depth was tested by foreign selling. After large price falls early in the week markets recovered to close near the levels of a week ago as signs of domestic buying interest appeared.

The dollar was helped during the week by a number of factors. An off-the-cuff remark by President Ronald Reagan, US trade figures showing a deficit of $14bn for September, and a hope - not met - that White House and Congressional negotiators would agree a package of budget deficit cuts by the week's end, all gave traders reasons to take some profits.

Yesterday, with no such agreement materialising, the dollar traded in a narrow range in what traders described as a thin and listless market. The budget talks resumed yesterday morning, but broke off to be resumed on Monday.

Disagreements about the balance of the $23bn-$30bn deficit reduction package being considered, in particular the size of prospective cuts in defence and increases in tax revenues, triggered a stalemate in the discussions just as both sides were raising hopes that an agreement might be near.

Republicans and Democrats appear to be worried about the difficulties they could face in securing approval for an agreement from members of their parties on Capitol Hill. An outline agreement reached by the negotiators would still have to go through the normal Congressional budget processes and be endorsed by President Reagan.

The outlook for financial markets is very much dependant on the outcome of the US budget talks. In the background is a possible meeting of the Group of Seven leading industrial nations to attempt to co-ordinate their economic policies in the wake of an agreement on the US budget.

Financial markets are hoping that a G-7 meeting would endorse lower interest rates, but Mr Michael Wilson, Canada's Finance Minister, yesterday cautioned against expecting that any meeting of G-7 nations would agree a sharp reduction in interest rates.

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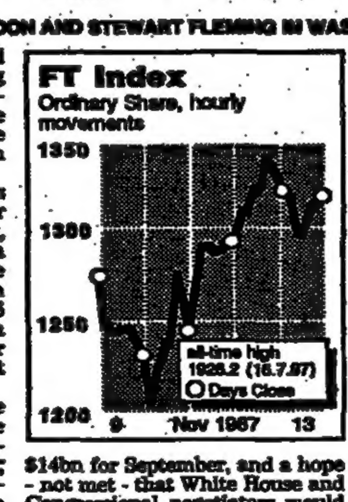

Wall Street crash hits Porsche sales

BY ANDREW FISHER IN FRANKFURT

PORSCHE, the West German luxury sports car maker, plans to cut production and introduce short-time working because of a sharp fall in US sales after the Wall Street share price collapse.

After a 30 per cent drop in US sales last month, Porsche said yesterday that it was again raising prices there by an average of nearly 3 per cent and reducing production over the rest of its current financial year to the end of July, 1988.

With more than half of its sales going to the US, the Stuttgart-based company is particularly vulnerable to setbacks across the Atlantic. The weakening dollar has already hit profits in the past two years.

After its best September ever, with 2,300 cars sold in the US, Porsche sold only 1,500 in October, although the month had begun well.

"I don't expect a major recovery in November," said Mr Hans Halbach, the marketing director.

The company said it was too early to state how many of the 5,500 workers at its plant in the city's Zuffenhausen suburb would be affected by short-time. Porsche cars are also made by Audi, the Volkswagen subsidiary, at Neckarsulm.

Short-time working will not start until early next year. Production cuts at the two plants will be phased in during the rest of 1987-88, with total output for the year down to around 40,000 cars from an expected 48,000. In 1986-87, production was 50,700 cars against 53,600.

Porsche's sales in the US this year would be down to between 22,000 and 23,000 from about 27,000 the previous year, Mr Halbach said. It was not just the price - a six-cylinder 911 Carrera costs $43,000 (£24,314) - that caused people to hold back.

"People who buy our type of car, regardless of the price, are so closely involved with the stock market and the economy in general that they simply say 'wait and see' before taking a decision," he said.

The company, controlled by the Porsche and Piech families, has already cut output of its cheaper Audi-made four-cylinder 924 and 944 models from 134 to 100 a day after slow sales. This will now go down gradually to less than 80. Production of the costlier six and eight-cylinder models will stay at 104 daily, but production will be stopped on certain days.

CONTENTS

Independents to challenge BA's right to BCal

BY MICHAEL DONNE AND CLAY HARRIS

INDEPENDENT airlines are preparing to mount a legal challenge to this week's Monopolies and Mergers Commission report which cleared British Airways to launch a new bid for British Caledonian Group.

BCal meanwhile announced the sale of its helicopter division to Bristow Helicopter, Britain's largest helicopter operator and a subsidiary of British & Commonwealth Holdings, the financial services, transport and industrial group. This completes a series of disposals which has left BCal with little more than its scheduled airline and a half stake in a charter carrier.

Mr Peter Smith, managing director of International Leisure Group, which owns Air Europe, said last night there had already been a meeting of independent airlines to discuss strategy on the Monopolies Commission report. "A large number of independent parties are intending to challenge it until it changes."

It is believed that the planned legal action will centre on the commission's decision to allow BA secretly to submit revised takeover terms on which the report was eventually based. This prevented other parties, including BCal itself, from commenting on the new conditions, which are not binding on BA.

"BA's interpretation of its own drafting means that no one else will be able to fly from Gatwick," Mr Smith said. "It is designed to undermine any meaningful challenge."

Monopolies Commission decisions are open to judicial review, but the commission is believed always to have been upheld in these rare cases. In 1985, Matthew Brown, the brewer, unsuccessfully challenged a bid clearance because it had not been given an opportunity to comment on evidence given by Scottish & Newcastle Breweries (which finally took over its rival last month.)

The price paid for the helicopter division was not disclosed. It has lost money throughout its eight years of operation, and Bristow will take over only seven aircraft.

The Bristow deal signals the loss of 84 of the BCal division's 153 jobs at Aberdeen, the only base for its operations, which rely entirely on the North Sea oil industry.

Yesterday's sale follows the disposal of other assets since the beginning of last year. These include BCal's Jetsave and Blue Sky tour operations, aero-engine overhaul business and hotels.

The latest disposal is unlikely to have any effect on the price BA eventually offers for BCal. BA sold its own helicopter operation, British International, to Mr Robert Maxwell earlier this year, and would prefer to take over a group with slightly reduced borrowings rather than one still owning a loss-making and marginal operator in an over-crowded business.

Offshore oil support business fell by 30 per cent last year, and there has been no improvement this year. BCal Helicopters also suffered when its Gatwick-Heathrow flights were discontinued on government orders, largely for environmental reasons, with no prospect of revival.

Sir Adam Thomson, BCal chairman, said yesterday: "The volume of work has simply not been there to sustain all the operators in the region."

The helicopter division lost £1.37m on turnover of £11.9m in the year to October last year.

Bristow will honour existing contracts and take over four Bell 214ST aircraft, two Sikorsky S-61Ns and one Sikorsky S-76A. It does not plan to keep another leased Sikorsky S-61N.

Scargill opponents may not stand for presidency

BY CHARLES LEADBEATER, LABOUR STAFF

MR ARTHUR SCARGILL, president of the National Union of Mineworkers, yesterday scored a tactical victory in his campaign for re-election as the other leading potential candidates indicated they were reluctant to stand.

Mr Scargill's opponents seem to have been thrown into disarray by his decision on Thursday to offer his resignation, thereby triggering a ballot in January, while union officials throughout the coalfields report a groundswell of criticism over his move to plunge the union into an election campaign.

Although some of Mr Scargill's opponents suggested yesterday that no one should run against him, thereby turning the election into something of a farce, it seems likely that potential candidates will emerge towards the middle of next week. Nominations have to be made by December 14.

Mr Johnny Walsh, the NUM agent for the North Yorkshire coalfield, widely thought to be

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WEEKEND FT

BRITISH ART

Work by living British artists is suddenly in worldwide demand, with the salerooms challenging galleries for a share in the profits.
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Eurotunnel - good or bad buy?
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TRAVEL

Ordeal on the Algarve: Michael Thompson-Noel reports.
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HOW TO SPEND IT

...on pretty party dresses.
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COGNAC

Very Special New Pales.
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ARTS

Cymbeline and the RSC Stratford season.
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OVERSEAS NEWS

EC inquiry into 'unfair' Korean shipping rates

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission will today launch its first inquiry into allegedly unfair shipping freight rates, marking an important extension of its anti-dumping powers.

The investigation is into a complaint by eight EC shipping lines that Hyundai Merchant Marine of South Korea is illicitly undercutting their rates on routes between Europe and Australia.

This is Brussels' first use of shipping trade rules agreed by member states almost a year ago. The outcome of the inquiry, expected early next year, will have a bearing on tensions over rates between EC shippers and Soviet and Taiwanese competitors, which are longer standing sources of irritation than the South Koreans.

If Hyundai loses this case, the Commission can impose charges on Hyundai-carried goods at delivery to EC ports to bring the South Korean line's Australian freight charges in line with normal rates. The EC shippers claim that Hyundai has been given unfair Korean Government support to help it undercut average European rates on the Australian route by 25 per cent, rising to 30 per cent in recent months. They calculate a European norm by comparing rates between ABC Containerline, a Belgian carrier involved in the complaint and Eagle Line, a non-EC Swiss registered shipper outside the action.

As a result, Hyundai has carved out 5 per cent of the business on the EC-Australian route since starting there late last year, says the complaint. Community lines' capacity utilisation has dropped by 7 per cent as a result, so their rates have become uneconomic, according to the Commission. If this goes on, the EC shippers' profitability will drop sharply and jobs will be at risk, says the complaint.

It says Hyundai has massive outstanding debts which have been refinanced on favourable terms by the Korean Government Bank; that the Korean line has benefited indirectly from Government shipbudiling subsidies to Hyundai Industrial Group of which it is a part and from which it bought vessels at knock-down prices; and that Hyundai is benefiting from a state cargo reservation scheme in trade to and from Korea.

The complaint is by P & O Containers and Associated Container Transportation (Australia) of the UK, la Compagnie Generale Maritime of France, East Asiatic Company of Denmark, Hapag Lloyd of West Germany, Lloyd Triestino of Italy, Nedloyd of the Netherlands and Compania Naviera Marasia of Spain.

Moscow buys EC butter at one-fifteenth its cost

BY TIM DICKSON IN BRUSSELS

THE European Commission yesterday announced that 200,000 tonnes of unwanted butter had been sold to the Soviet Union and predicted that the EC's notorious butter "mountain" would be cut in half this year.

The latest deal, which is part of the Community's emergency disposal programme agreed by member states earlier this year, has been struck at Ecu20.4 ($14.13) per 100kg or roughly one fifteenth of the price the EC paid producers when the butter was originally purchased under its so called "intervention" arrangements. The move follows the signing of a similar contract just under a year ago for an amount just short of 300,000 tonnes.

Butter sales to Moscow have always been politically sensitive, notably in the UK, but officials in Brussels point out that the Soviet Union is the only leading customer in the market at present. They argue that the Ecu3.2bn disposal scheme - initially to be financed by member states but ultimately to be borne by the Community budget - will serve to take pressure off world prices and thereby reduce EC support costs through lower export subsidies.

The Commission appears well satisfied with the results of the sales and with the impact this year of the further cuts in milk quotas, which have reduced the previous flood of unwanted butter and skimmed milk powder into Community stores to (relatively speaking) a mere trickle.

Figures released yesterday in Brussels showed that butter stocks in the Community have fallen from 1.34m tonnes at the beginning of 1987 to just over 700,000 tonnes after the Soviet sale.

EC team rejects bid to delay hormone beef ban

BY TIM DICKSON

EUROPEAN Community veterinary experts yesterday rejected a plan by Mr Frans Andriessen, the EC's Farm Commissioner, to delay the Community's controversial ban on beef produced with hormones.

Their decision could be overturned at next week's meeting of EC Farm Ministers but at the very least it represents a major embarrassment for the Commission.

The hormones prohibition, agreed in December 1985 but not due to come into effect until January 1 next year, is deeply worrying the US, which claims that more than $130m of its meat exports will be prevented from entering the EC after this date.

The Americans have been lobbying furiously to get the Community to change its mind, but Washington now accepts that the only hope is a substantial delay in the ban.

Earlier this week the European Commission proposed that member-states should apply so-called "transitional measures" which would mean an 18-month deferral of the ban on trade in hormone-treated meat (but no delay on the ban of actual use of hormones).

Apart from the diplomatic difficulty with the US, the plan has been justified on the grounds that there will be slaughtered meat within the Community after January 1 which has been produced with the so-called growth promoters.

The issue is to be discussed at next week's meeting of Agriculture Ministers.

Ariane launch halted

BY RAYMOND SNODDY

THE LAUNCH of Europe's first direct broadcasting satellite scheduled for next Tuesday has been postponed because of technical problems with the Ariane space launcher.

Arianespace, the company which sells launches on western Europe's Ariane rocket yesterday blamed a faulty circuit in the guidance system. A spare is available but tests are required. Arianespace said there would be a delay of several days but did not give a new launch date.

TV-SAT, the West German DBS satellite which will carry four new channels of television was due to be launched on Tuesday from Kourou, French Guiana.

Any serious delays would hamper the development of satellite television in Europe. The French DBS satellite TDF-1 is due to be launched next April and Astra the Luxembourg private sector satellite with 16 television channels is scheduled for launch on Ariane in July.

Soviet press rubs salt in Yeltsin's wounds

BY CATHERINE McELHINNEY IN MOSCOW

THE SOVIET press yesterday revealed in brutal detail how Boris Yeltsin was ousted from his position as head of the Moscow Communist Party at a meeting where 23 speakers, including Soviet leader Mikhail Gorbachev launched attacks on his ability and personality.

The affair will inevitably cast doubt on the sincerity of Mr Gorbachev's reform programme. Following Mr Yeltsin's departure, many will be wondering how deep the changes really are and how far it is safe to take them.

Readers of the Communist Party newspaper Pravda learnt that Mr Yeltsin was fired after a confrontation with the Soviet leader in which he told Mr Gorbachev reform was giving virtually nothing to the people.

More than two pages of the paper were devoted to a verbatim account of the Moscow party meeting last Wednesday that denounced and fired Yeltsin. It was the first official explanation of what had happened at the plenary meeting of the central committee meeting three weeks ago earlier where Mr Yeltsin made his charges.

While it was rare for events inside the Communist Party apparatus to be published, observers noted that Mr Yeltsin's original complaints about the state of the reform programme had never been printed, although rumours about them had circulated.

The attacks – and Mr Yeltsin's contrite apology – were bound to be interpreted as a warning to others deviating from the leadership's line on reforms.

Mr Gorbachev said Mr Yeltsin sacrificed the good of the party for personal ambition, and another speaker accused him of "excessive conceit and desire to be always on the front stage". But the dispute clearly centred on Mr Yeltsin's complaint at a closed plenum of the central committee on October 21 that the leadership was not pursuing reform fast enough.

The Soviet leader rejected Mr Yeltsin's claim and said not a single member of the plenum had agreed with his negative assessment of the pace of reform.

Mr Yeltsin was even attacked by one speaker for sacking too many officials in the city, although purging of inefficient managers has been vigorously pursued by Mr Gorbachev.

Western observers believe Mr Gorbachev was forced to dismiss his one-time key supporter in order to pacify conservatives in the party.

Iran prepares for renewed land offensive

BY TONY WALKER, MIDDLE EAST STAFF

A GREEK-FLAGGED tanker was yesterday set ablaze in the Gulf as Iran appeared to be preparing for a new land offensive against Iraq amid worrying signs of a resurgence of the conflict.

Iraq wasted little time resuming air strikes against Iranian shipping, after an emergency Arab summit in Amman this week condemned Iran over its failure to agree to a United Nations-sponsored cease-fire. Western intelligence reports and statements by Iran indicate that it may be gearing up for another assault against Iraq's beleaguered southern city of Basra, which was the target early this year of a massive Iranian onslaught.

Iraq yesterday claimed its tenth attack since Tuesday on shipping in the Gulf, and the fifth in 24 hours. The Iraqi offensive will have increased nervousness among states, notably Kuwait, on the Arab side of the Gulf. Iran has warned repeatedly that it will hit back at Iraq's Arab allies in retaliation for strikes against shipping servicing its ports.

Kuwait is within range of Iranian Silkworm missile batteries on occupied Iraqi territory at the northern end of the Gulf. Iran last month fired a missile into Kuwait's main offshore oil loading terminal, putting it out of action.

The Greek-flagged tanker, the 268,079-tonne Fortuneship L, was hit three times by Iraqi-fired exocets in two separate attacks.

Iran's Supreme War Council, in a ten-point message to Iranians, called for volunteers to register immediately for duty at the front. This follows indications over the past several weeks that Iran is mobilising its forces east of Basra.

Western observers note that conditions at the front are ripe for a winter offensive. The intense heat of summer has given way to milder conditions favoured by Iran for its big offensives.

A fresh Iranian offensive, or even the threat of one would partly be designed to send a chilling message to Arab states who denounced Iran at the recent emergency Amman summit.

John Wyles profiles the Italian President on the eve of his visit to Britain

Cossiga, man with taste for English values

Cossiga: coolness under fire

FRANCESCO Cossiga, the Italian president whom the British will see next week immersed in the pomp and ceremony of a state visit, is in some ways one of the most elusive representatives of an elusive people.

Despite his outgoing personality, this slightly-stooped, white-haired figure who seems to carry more than his 59 years, is still something of a stranger to his fellow Italians.

He is universally regarded as a nice man, a devoutly Catholic, upright Christian Democrat. But the personality of a man who was once a passionate radio ham (call sign "Andy Capp") rarely shines out from the stiff, formal occasions which encumber the life of a head of state.

His public image is misleadingly melancholic - he actually smiles a lot - and his private life is totally closed. He has not moved into the sumptuous palace which was once home to the Popes and then Italian monarchs, the Quirinale, preferring to remain in the Roman suburb of Prati with a wife who takes no part in public life at all.

Perplexed Italian journalists have often tried to characterise his style and virtues as "Inglese", implying not just honesty and probity, but also a certain coolness under fire. He thinks the comparison "flattering but excessive", acknowledging instead that, as a Sardinian, an island background may have bred in him certain characteristics in common with the British.

"But perhaps it also comes from my rather well-known passion for British constitutional history to which I frequently turn," he ventured in an interview this week. Having been a precocious Professor of Constitutional Law at Sardinia's University of Sassari by the age of 25, his intellectual and emotional commitment to truth and liberty has been a crucial driving force.

Looking ahead to the state visit, he was sure that the most moving moment would be the address he is to give to a joint session of the Houses of Parliament on Wednesday. As "the oldest liberal parliament in the world", Westminster has a particular significance for a man steeped in the values which it represents, who is president of a country where these have not always been greatly prized.

His white hair and premature age date from three of the years when democratic values were most under threat in Italy. His friend and political mentor, Aldo Moro, appointed him to the Ministry of Interior in 1976 when the country was reeling from repeated terrorist blows.

When Mr Moro was kidnapped in 1978 and murdered 55 days later, Mr Cossiga did something no Italian politician had done before: he took personal responsibility and resigned.

His face still clouds at the memory of those years. "They were a very painful reality and I was forced to take tremendous responsibility which had a great impact on my spiritual and personal life."

Under pressure to explain, his answer avoids self-revelation: "It made me understand the importance of the rules guaranteeing liberty and social peace; how these must be defended at minimum cost to civil rights."

Resignation did not cost him his career, as some Italians thought it might, for within a year he found himself the youngest Italian post-war prime minister, a distinction now ceded to the present incumbent, Mr Giovanni Goria.

Mr Cossiga was toppled after little more than a year, partly because of a series of attacks launched by the late and formidable Communist party leader, Mr Enrico Berlinguer, not just a Sardinian like Mr Cossiga, but actually the prime minister's cousin.

How does one family produce a committed Marxist, a Catholic Christian Democrat, and also a diplomat - Sergio Berlinguer, Enrico's younger brother, who now heads Mr Cossiga's secretariat?

"It is something I have often asked myself. We were all born in a city (Sassari) with a very strong liberal, republican democratic tradition," Mr Cossiga reflects.

Mr Enrico Berlinguer was seven years older and Mr Cossiga says the age gap was too great for him to be politically influenced by his Communist cousin. Life may have made them political adversaries, he says, "but we always kept a distinction between family relations and political relations."

From the premiership he went on to become the youngest postwar president of the Senate (the constitutional number two in the Italian state), then the youngest president.

The ceremonial part of the job is common to all European heads of state, but the role is more intensely political in Italy because the president must mediate between the parties and help to recompose governments which crumble all too frequently.

Is the job as solitary, sometimes boring and politically hazardous as it appears from the outside? "All of those things," he says, quite firmly, adding that the aspect he finds most difficult "is to maintain a balance between my own beliefs and the duty to be objective."

He still retains his love of electronic gadgetry, although the radio transmitter went when he became Minister of the Interior. He has encouraged the installation of new information systems in the Quirinale, including one which seems to give him particular pleasure. "It is silly, I know," he said, remotely controlling his television to reveal that he is a subscriber to CNN, the US television news network.

A president who tunes into American television news is yet another surprising ingredient in Italy's rapid process of change. By contrast, the historic canvases and tapestries lining the walls of one of the most beautiful offices in Europe testify to a certain continuity.

Which of the old Italian traditions would he most like to see fade away ? The answer comes back without hesitation: "Expecting the government to do everything."

Israelis welcome summit outcome

By Andrew Whitley in Jerusalem

THE ISRAELI Government is pleased with the outcome of the recent Arab League summit in Amman, notably the opening of the door for Egypt to return to the Arab fold.

Exactly ten years after the late President Anwar Sadat's historic visit to Jerusalem, Israeli officials say that growing Arab moves to re-establish diplomatic relations with Egypt - broken after the signing of its peace treaty with Israel - are a final vindication of the controversial Camp David agreements.

Further gains for the US-led peace process - from the Israeli standpoint - were the personal triumphs that King Hussein of Jordan enjoyed as the host of a largely successful conference, and the subtle cutting down to size of the Palestine Liberation Organisation.

The vague reference to participation of the PLO at a peace conference "on an equal footing" is being read as tacit endorsement of the plan to include Palestinians in a joint Jordanian-Palestinian delegation.

In the view of Israeli analysts, of much greater importance was the omission from the communique of the standard reference to the Palestinian right to self-determination. In its place was substituted the "restoration of (their) national rights".

The communique from Amman reiterated much of the language of previous Arab conference resolutions on the Palestinian question, calling on Israel to withdraw from all the occupied territories - including Jerusalem. But such statements are described here as entirely predictable from a forum which included such radical Arab states as Syria and Libya.

Western diplomats were quietly pleased by the unequivocal support given by all the Arab League member states to the international peace conference proposals. As one noted, a decade ago such unanimity for face-to-face talks with Israel would not have been possible.

Socialist welcome for Orthodoxy

AFTER A wait of nearly a quarter of a century, Greece woke up yesterday to the autumn of the Patriarch, **writes Andriana Ierodiaconou in Athens.**

Thousands of the faithful lined the streets, and government and church officials stood in serried welcome, as the Archbishop of Constantinople-New Rome and Ecumenical Patriarch Demetrius, spiritual leader of world Orthodoxy, began a glittering five-day official visit, his first to the Greek capital.

Socialist government officials, led by Mr Andreas Papandreou, assembled to welcome in Byzantine splendour the Ecumenical Patriarch, must have felt as though an time warp had entrapped them in a century closer to the 15th than the 21st.

The Government passed a Bill earlier this year which if applied would have imposed state control over church-owned lands and urban real estate.

Patriarch Demetrius discouraged the Greek church from carrying out threats to renounce its autonomy and join the Constantinople patriarchate - a move which would have embroiled the Ecumenical Patriarchs directly in the confrontation with the Athens Socialists.

The conflict was defused ten days ago by a secret compromise agreement. If the honours afforded yesterday to Patriarch Demetrius was any indication in the clash between Byzantium and Socialism, the former has definitely carried the day.

Brazil to face US sanctions

BY NANCY DUNNE IN WASHINGTON

THE Reagan Administration announced yesterday that it would retaliate with tariffs against $105m-worth of Brazilian products after two years of prodding Brazil to open its markets to US computers.

The sanctions are in response to Brazil's decision to refuse Microsoft, an American software company, a licence for its microcomputer software. The White House said "the decision establishes a precedent which effectively bans all US companies from the Brazilian software market."

This is the first US action against closed Brazilian markets, and it could be followed by larger retaliation if no real progress is made toward resolution of the wider technology dispute.

The White House is moving slowly to allow for a possible change of policy in Brazil. The specific retaliatory measures are still to be announced, except for a ban on some Brazilian software, the value of which is still to be determined.

Brazilian software exports to the US last year were worth more than $21m.

The Administration next week will publish a list of targets for retaliation. Hearings will be held in mid-December to determine which sanctions would cause least difficulty to American consumers.

Products on the list may include footwear, textiles, coffee, orange juice, fruits and nuts, petroleum products, car parts and aircraft. The US also may remove the trade benefits it grants to some Brazilian products under its Generalised System of Preferences.

The two countries came to an agreement last June which US officials thought would ensure against a ban on US software, without consultations or approval by the Brazilian congress. Later,there were hopes that the Brazilian congress would act on a bill to open its markets to American-designed computer programmes.

US retail sales fall 0.1% in October

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

FURTHER evidence that the stock market crash last month did not trigger an immediate drop in consumer spending surfaced yesterday when the Commerce Department reported that retail sales, buoyed by purchases of non-durable goods, fell only 0.1 per cent last month.

The Government also reported that wholesale prices last month fell a surprising 0.2 per cent, after rising 0.6 per cent in September. Economists saw the broadly-based decline as an encouraging indicator for the inflationary outlook but cautioned that because of the importance of service sector inflation and the rising costs of imported finished goods, wholesale price indices were only a partial guide to inflationary pressures.

The decline in retail sales was entirely due to a second month of plunging car sales. They fell 3.1 per cent. In September car sales fell 3.7 per cent accounting for the revised 1.1 per cent decline in retail sales during that month.

Many economists believe it is still too early to assess the impact on consumer confidence from the stock market crash. The weakness in car sales is seen as a worrying sign, however, and there is some evidence that US car producers are preparing to reduce their production schedules in case the weakness continues.

UK takes tough line on defence collaboration

BY DAVID BUCHAN

The UK government is showing a more hard-nosed attitude towards defence collaboration and is pressing for clearer contractual definition of a new European anti-tank gun, as well as of a planned Nato frigate, before joining allies in committing funds to developing these projects.

The new UK attitude, which to some extent mirrors British policy towards European space co-operation, stems from tacit agreement between the Treasury and Mr Peter Levene, chief of defence procurement at the Defence Ministry, to weigh more closely the costs and benefits of defence collaboration and press contractors harder on terms.

Thus,in contrast with this week's decision by France and West Germany to press on with their attack-helicopter project, the UK is resisting joining a formal agreement giving the go-ahead to development of the third generation anti-tank gun(known as Trigat).

The UK hesitation is tactical, designed to get better contractual terms out of Trigat's developers, the Euromissile Dynamics Group made up of MBB of West Germany, Aerospatiale of France, and British Aerospace.

Likewise, Britain refused last month to join six Nato allies in giving the go-ahead to full development of the Nato frigate for the 1990s (NFR-90), not because it is against the project, but because it wants to mesh development of the frigate hull and weaponry better.

Mr Levene, a critic of NFR-90 as at present constituted, spelt out his philosophy in a Defence News interview published this week.

He said: "Collaboration can be achieved, but we have to be more selective in how we choose the right programme, the right partners, the right time and the right commercial arrangments."

The US and Soviet Union still disagreed on a few points, but these would be ironed out before next month's planned summit, Mr Genadi Gerasimov, Kremlin spokesman on arms, said in Bonn, Reuter reports.

Mr Frank Carlucci,* named as new US Defence Secretary, "says we are 98 per cent in agreement. Our disarmament experts reckon *97.5 per cent.

"Therefore we have almost reached our goal."

Minister firm in Statoil row

By Karen Fossli in Oslo

NORWAY'S oil minister, Mr Arne Oeien, has said he will refuse to bow to any majority call in the Storting (Norwegian Parliament) for resignations from Statoil, the state-owned oil company.

This follows findings from a Norwegian government report that cost over-runs for a refinery expansion project operated by Statoil have amounted to nearly NKr5bn, and that the project cannot ever guarantee profitability even after write-off and depreciation costs.

Revelations of the horrendous budget over-shoot prompted politicians to call for the resignation of Mr Arve Johnsen, the company's vice-president, and the board of directors.

Nato warned on N-arms

BY WILLIAM DAWKINS IN BRUSSELS

GENERAL Wolfgang Altenburg, chairman of Nato's military committee, yesterday warned that the alliance could not afford to negotiate for the removal of battlefield nuclear weapons.

"We have to maintain a nuclear posture as a political tool to be used to deter, right from the very beginning," he told a meeting at the Centre for European Policy Studies in Brussels.

Gen Altenburg emphasised that Nato would be dangerously exposed to the Soviet Union's overwhelming superiority in conventional forces if it was persuaded to accept a so-called "third zero" option - the abandonment of short range (up to 500km) and battlefield nuclear weapons.

His worries echo the feeling of many Nato members, including Britain and the US, that the impending accord on intermediate nuclear forces should not be followed by abandonment of short-range and battlefield nuclear weapons.

"We should make sure that negotiations over the number of weapons below 500km range should be contingent on possibilities regarding (reductions in) conventional disparities. Otherwise we could lose our leverage," said Gen Altenburg. "The Soviets can afford to say zero, but I don't think we can," he added.

Gen Altenburg warned that any balancing in conventional forces would be "the most difficult negotiation we are facing."

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Rioters will be shot on sight, says Ershad

BY SAYED KAMALUDDIN IN DHAKA

PRESIDENT Hussain Mohammad Ershad of Bangladesh yesterday announced that rioters would be shot on sight, after three days' violent agitation which left three dead and hundreds wounded.

He also offered an olive branch to the opposition, saying he was "always available for a dialogue" to end the political crisis.

Law-enforcing agencies have been ordered to shoot at sight anybody found "indulging in arson, looting and rampage." The order followed the killing of an armed policeman on Thursday in a bomb-throwing incident during a mob rampage. The maximum punishment for such activities is death.

The anti-government agitation, spearheaded by three leading opposition alliances and the right-wing orthodox Jamat-e-Islami, demands President Ershad's resignation, the hand-over of power to a neutral government and the holding of "free and fair" general elections.

The agitation gained momentum early in November when leaders of two of the opposition met to declare an identical programme. Mob violence increased after the two leaders were put under house arrest on Wednesday.

President Ershad, who came to power in March 1982 through a bloodless coup, held parliamentary elections in May and a presidential poll in October, having lifted martial law in November last year. While the eight-party alliance and Jamaat-e-Islami took part in the parliamentary polls, the other alliances boycotted it. The participating opposition parties subsequently accused President Ershad of "rigging the polls" in his favour.

President Ershad said yesterday that his administration would take tough measures to "restore normalcy" and added that the situation was "under control". He could contain the situation in three days, he added, justifying the arrests of the two top opposition leaders by saying they were indulging in "illegal activities".

On the question of dialogue with the opposition, he said his door was "open all the time". So long as he remained president, there could be no military coup.

"If you (the opposition) question the credibility of the polls, why don't you agree to go for a mid-term poll?" he asked. He was prepared to discuss the question of peaceful transfer of power and its modalities with the opposition, he declared.

The opposition alliances have called for a 6am-2pm general strike today and tomorrow.

C & W consortium to get Japanese licence

BY STEFAN WAGSTYL

MR MASAAKI NAKAYAMA, Japan's new Minister of Posts and Telecommunications, confirmed yesterday that the group in which Britain's Cable and Wireless is a leading partner would be granted a license to operate an international telecommunications business in Japan.

Formal approval is expected to come from the ministry's Telecommunications Council within this month.

This will bring to an end a campaign lasting nearly two years by C & W to win a significant position in the liberalisation of Japan's telecoms sector. The company wanted to use Japan as a major terminal in its proposed *Global Digital Highway* telecoms network.

Last spring, the company enlisted the support of Mrs Margaret Thatcher, the British Prime Minister, when it appeared that the Japanese authorities were trying to minimise the role that it and other foreign companies could play, notably by trying to bring about a merger of the two consortiums applying for a license.

The Japanese Government, under pressure from the US as well, gradually changed its stance, and eventually in September invited both consortiums to apply. This is normally an indication that both would be given licenses.

Mr Nakayama told a meeting of the Cabinet of Mr Noboru Takeshita yesterday that licences would be given to both consortiums that have applied for them. The two are International Digital Communications, led by C & W and the Japanese trading group, C.Itoh, and International Telecom Japan, led by Mitsui and Mitsubishi.

Japanese anti-trust body raids sealant makers

BY STEFAN WAGSTYL IN TOKYO

JAPAN'S Fair Trade Commission this week raided 39 offices of household sealant manufacturers and their trade association in pursuit of an anti-trust investigation.

The Commission, a government body which works closely with the Ministry of International Trade and Industry, is probing claims that 15 manufacturers formed an illegal cartel to drive up prices. The material under investigation is a silicon sealant, used extensively in the building industry in fitting windows.

Since mid-summer the Commission has been studying increases in prices of building materials for possible violations of Anti-Monopoly Laws. The Government is concerned about companies taking unfair advantage of a surge in construction, stimulated by expansionary government policies.

Miti is also giving a high priority to anti-trust investigations as part of a three-year action programme, launched in 1985, for opening Japanese markets to foreign companies.

The starting point for the current investigation was a 10-20 per cent increase in the wholesale and retail prices of sealants in April. The Fair Trade Commission says prices rose despite the absence of any visable material price increases.

The commission suspects at makers joined to raise the price of silicon sealant by more than Y100 (42p), from Y400, per one 333 milliliter cartrige. The 15 companies account for 90 per cent of the sealant market, with one of them, Shin-Etsu Chemical, having a 45 per cent share. The market for silicon sealants is worth in the region of Y2bn to Y3bn a year.

Construction industry observers say the commission could soon launch other anti-trust actions against building materials manufacturers. They say informal arrangements between suppliers are not uncommon in construction because distribution networks are often inflexible.

Ethnic violence claims 125 lives in one week

ETHNIC VIOLENCE throughout Sri Lanka killed more than 125 people this week as parliament passed legislation granting limited autonomy to the Tamil minority on Thursday after a acrimonious three-day debate, **Reuter reports from Colombo.**

A military spokesman said 25 people, all Tamils, were killed on Thursday night when Tamil militants set off a landmine under their bus at Cheddikulam in the north-western district of Mannar. He said Liberation Tigers of Tamil Eelam guerillas, who have repudiated the pact, were responsible for the blast.

Angry Sinhalese hardliners cut down trees and set up road blocks in south Sri Lanka on Friday in protest against the legislation.

The outlawed People's Liberation Front (JVP), banned in 1983 for suspected involvement in anti-Tamil riots, was blamed by the Government for this week's violent protests against the laws to set up semi-autonomous provincial councils.

Police said the JVP is attempting to bolster their arsenals by taking weapons from the military and police and from private citizens.

The laws would implement part of an accord signed by President Junius Jayewardene and Indian Prime Minister Rajiv Gandhi in July to end a four-year Tamil rebellion.

In Colombo, a car bomb killed 32 people on Monday and university students protested shouting anti-government slogans and burning an effigy of Jayewardene.

The agriculture and food minister resigned saying that he was against a proposal to set up a single provincial council for the Tamil-dominated north and the ethnically mixed east. The ruling United National Party, which has an overwhelming majority in the 168-member parliament, was able to pass the laws with the required two-thirds majority.

Darshan weaves her way to a dowry

By John Elliott, recently in Panipat

DARSHAN, a slim 18-year-old village girl of India's proud Rajput caste, squatted on top of a small horizontal wooden loom in her family's low thatched stone house, weaving a cotton dhurrie carpet of light browns and greens that one day will probably decorate a home in London, Paris or New York.

The dhurrie will earn her about Rs45 (£2) and will help to finance her dowry and other wedding expenses, including gold jewellery and gifts. Her mother, Barbak, expects the marriage to cost a total of Rs30,000-Rs40,000 (£1,500-£2,000) if they are to keep their self-respect and be sure the daughter will be well treated by her husband's family.

In the nearby north Indian town of Panipat, Raja Ram, a 35-year-old man from a landless family in the poorer state of eastern Uttar Pradesh, earns Rs1,000 a month making woollen dhurries on a small factory vertical hand-loom. He has worked here for 15 years and his earnings have bought his family nearly two acres of land back in their Uttar Pradesh home village of Parlapgarh.

Darshan and Raja are two of about 300 people in and around Panipat producing the dhurrie style of flat woven cotton and wool carpets, usually in pastel shades, for Habitat, part of Mr Terence Conran's UK Storehouse retail group which has been the target of recent takeover bids.

It is a long way from the world of British property developers such as Benlox, the latest Storehouse bidder, to Darshan's small courtyard home in Beejna village, Haryana, with its bullocks, cows and dyed cotton from the local fields drying in the sun - and to Raja Ram's monthly bank draft for his brother, wife and son on the two acres in Parlapgarh.

But via a New Delhi exporter, Fabindia, local handloom crafts have been revived and traditional skills used to bring a little increased wealth to villages which otherwise have only their local agriculture of sugar, wheat, rice and cotton - this year hit by a drought - to sustain them.

If a takeover of Storehouse ended Terence Conran's control of Habitat and stopped the dhurrie imports, the villages could be specially hard hit, although small workshops in the towns might find other orders.

Some 20 years ago, Mr John Bissell, an American who runs Fabindia and is married to an Indian professional woman, hit on the idea of exporting dhurries which poor Indians traditionally use as thin mattresses on their charpoy wood and string beds.

He started to develop traditional skills in Panipat with the local Kehra carpet-making family whose Bharat Carpet Manufacturers now supply about half Fabindia's dhurries.

"We produce our own designs and see what Habitat like," says Mr Madhu Kar Khera, who runs the business. "Five years ago, they didn't like this, then they picked it up last year and we are doing it in several colours," he says, pointing to a geometrical light-blue design.

Fabindia, which has a retail shop in Delhi, now has an export turnover of Rs28m, including Rs16.5m. to Habitat, 60 per cent of which is dhurries. Panipat's weaving business has mushroomed with over 200 manufacturers of dhurries, carpets and blankets, using some 10,000 hand looms.

All this forms part of north India's annual total of about Rs 1.75bn-Rs2bn hand-made carpet exports, produced by some 450,000 people, and dominated by hand-knotted woollen carpets, in addition to the woven cotton, wool, and even a few silk durries.

The industry is organised with a complex network of employment, a lot of it part-time, which includes cotton and wool dyeing, women spinning wool and filling bobbins in their homes for a few rupees, weavers employed on a variety of types of looms, and finishing jobs such as clipping loose ends and tying tassles.

Conditions vary widely, with children being employed on some knotted carpet looms sunk into pits in darkened huts, in areas such a Mirzapur near the holy city of Varanasi. The nimbleness of the children's fingers boosts productivity. But the Habitat dhurrie makers use no organised child labour, although some children help with jobs such as cutting and spinning.

The 6ft by 3ft 6in dhurrie Darshan made for her Rs45 in three or four days will be sold by the contractor, who organises the village and supplies materials, to Fabindia for about Rs160. In the UK, it will later sell for around £25-£30, near the bottom of a range that goes up to a few hundred pounds.

She was producing a local design of diamonds and stripes developed by Satya Sharma, the local contractor who started organising the nearby villagers' talents 10 years ago.

But when she marries, Darshan's proud Rajput husband may stop her work. "Between leaving school and getting married, they make the carpets because the Rajputs don't like unmarried girls going out into the fields," explains Mr Sharma. "But when they become married women, they have to stay fully indoors. So, often then, they can't even do the carpets."

Conservation areas plan likely to be dropped

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE GOVERNMENT is likely to drop its plan to set up rural conservation areas. The proposal was part of a package aimed at simplifying the town and country planning system.

This emerged yesterday when Mrs Marion Roe, parliamentary under-secretary of state at the Environment Department, spoke to the County Planning Officers Society in London.

She was speaking about government plans, set out in a green paper in September last year, to reform the way in which development plans are drawn up at regional, county and district level.

Mrs Roe acknowledged that the Government would have to reconsider the idea of rural conservation areas, following its examination of about 400 responses to the consultation paper on general and specific points in the reform plans.

The conservation areas were intended to replace the variety of locally-designated areas, which indicate that development controls would be applied more strictly than normal.

But the proposal excited widespread opposition. While there was general support from the counties, Mrs Roe said, others were sceptical.

"Some were downright suspicious of the derpartment's motives, seeing this as another opportunity for central intervention and control. The countryside protection bodies and groups were not very impressed with the notion and the development interests were noticeably hostile," Mrs Roe said.

Apart from the rural conservation areas, the main thrust of the Government's plans is effectively to remove the county tier from the planning process. County structure plans, which settle the patterns of land use, would be replaced by a simple policy statement.

This policy statement would fit into an overall regional strategy laid down broadly by central government while detailed planning criteria, reflecting the county policy statement, would be worked out at district level.

County planning officers, seeing their role in the system reduced as planning power goes upward to central government and downward to the districts, have been hostile to the suggestion.

However, Mrs Roe gave no ground on the broad lines of the Government's proposals.

Bank collapse report issued

BY EDWARD OWEN

THE SEQUENCE of events behind one of Guernsey's most embarrassing financial failures - the collapse nearly nine years ago of the fringe bank Barnett Christie (Finance) - is disclosed in a 170-page report published yesterday. The report is by an independent committee of inquiry appointed by the island authorities.

The inspectors, Mr Christopher Clarke QC and accountant Mr Andrew Burnett, conclude that with hindsight Guernsey's finance committee was wrong to grant licences to Barnett Christie (Finance) and its Alderney associate company when the island introduced legislation to protect depositors in 1972.

The decision, it is revealed, was taken against the advice of the official responsible for monitoring applications, Mr Frederick Veale. However, the inspectors concede that the finance committee was "in great difficulty" because the Barnett Christie companies were existing businesses whose depositors had to be safeguarded.

In the event, the report says, the proportion of the Guernsey company's assets lent to its Alderney and English associates "remained excessive and in the end fatal."

Barnett Christie (Finance) finally went into liquidation in 1978 owing £1.46m to depositors, who have since received 32p in the pound from the liquidators. The English parent company was compulsorily wound up in 1979.

The report shows that Guernsey's finance committee was influenced by the fact that a Section 123 certificate, then required for licensed deposit-taking, had been granted to Barnett Christie's associate company in the UK.

The desire of the UK authorities not to cause a run on the funds of the English company is also shown to have been a factor in the Guernsey finance committee's controversial decision not to make known publicly that it had revoked Barnett Christie's deposit-taking licence in 1976.

This led to a successful action for damages by one depositor and out-of-court settlements with many others, at a cost to Guernsey's Government of more than £600,000. The finance committee was found to have been in breach of its statutory duty.

The inspectors say after studying all the evidence: "It is apparent to us that this situation arose as a result of a well-intentioned but erroneous judgment that such non-publication would benefit depositors."

Two directors of Barnett Christie (Finance) were subsequently convicted in Guernsey of continuing to take deposits after the company's licence had been revoked.

The inspectors point out that the Guernsey authorities lost control over Barnett Christie after revoking its licence and recommend that the island's Financial Services Commission, which starts operations next year, should have powers similar to the Bank of England to supervise an institution as long as it has any liability to depositors.

Company pension schemes backed

BY ERIC SHORT, PENSIONS CORRESPONDENT

CHIEF EXECUTIVES of big British companies are overwhelmingly committed to keeping their company pension schemes in the face of the competition next year from personal pensions, according to a survey by MORI for the National Association of Pension Funds.

The survey investigated the attitudes of 105 main board directors, of whom 82 per cent were the chairman or chief executive of leading companies, to the challenge to company pension schemes.

From April employees will be able to opt out of company schemes and from July they will be able to take out a personal pension. Almost nine out of 10 employers interviewed felt the pension scheme was an important part of the company's industrial relations and contributed to its image.

About two thirds of chief executives felt that most of their employees would not benefit by having a personal pension.

DPP asks police for new Zeebrugge investigation

BY HAZEL DUFFY

KENT police were asked yesterday by the Director of Public Prosecutions to start a new investigation into the Zeebrugge ferry disaster.

The move opens up the way for the DPP to bring charges of manslaughter against individuals or possibly Townsend Car Ferries, owners of the Herald of Free Enterprise at the time of the disaster.

The decision by Mr Allan Green, the DPP, was taken in the light of the report of the coroner following the inquest into the deaths of 188 passengers and crew on the ship. The jury at the inquest brought in verdicts of unlawful killing.

The DPP can also take other information into account in helping him to decide whether to order an investigation. Sir David Napley, the solicitor representing two of the victims of the disaster, had submitted a document setting out the facts which he believed made clear the case for prosecution.

Sir David said yesterday that he was "encouraged" by the DPP's decision, but added that "one should not read too much into it".

The Chief Constable of Kent, Mr Frank Jordan, is expected to announce his investigating team shortly, probably early next week. It will be the second investigation by Kent police into the Zeebrugge affair. The first was to provide evidence to the coroner's court. However, it was not aimed at securing evidence on which a criminal charge might be brought.

The police file will then be submitted to the DPP, who will decide whether to go ahead on the basis of whether or not there are reasonable grounds, and also whether it would be in the public interest to bring criminal charges.

Sir David said yesterday that he had "not the slightest doubt that the company could be prosecuted" and that if sufficient evidence could be presented, that conviction could be secured.

Peninsular and Oriental Steam Navigation, which owns Townsend Car Ferries, did not comment on the move by the DPP. However, Sir Jeffrey Sterling, chairman, has said that he did not believe the company would be prosecuted. Nor did he want the three men directly involved in the disaster - Captain David Lewry, Mr Leslie Sabel and Mr Marc Stanley - to go through more.

Relatives of the victims welcomed the DPP's move. Ms Sue Haney, speaking for the Herald Families' Association, said: "We are still fighting for the company to be charged with corporate manslaughter. This is a small victory but is by no means the end of the story."

EC probes Vitafoam over trade practices

By Nick Garnett and Will Dawkins

VITAFOAM, a subsidiary of British Vita, is being investigated by the EC Commission following a complaint to Brussels about alleged trading practices within the UK market for polyurethane foam.

British Vita said yesterday that some of the other 12 UK manufacturers in the industry were also being scrutinised.

The commission would not confirm this yesterday. Nor would it comment on the type of complaint that has been made against the British company.

However, it is thought that Vitafoam is being scrutinised under the Treaty of Rome's Article 85.

This outlaws almost anything which is believed to distort free competition. It specifically includes price fixing agreements, controlling of markets and sharing supply sources.

British Vita, which is based in Manchester, is one of the UK's largest companies involved in polymer processing. It said it and several other British producers of polyurethane foam, which is widely used in packaging, had been visited by commission investigators during the week.

The company understood that the complaints had not been specific. Investigators had examined a number of files. "We have been totally open and helpful with them, as is our normal way," the company said yesterday.

The British Rubber Manufacturers Association said total UK production of polyurethane last year was worth between £120m and £140m.

Polyurethane foam is not a product that enjoys much international trade, partly because of its large bulk in relation to weight. Almost all polyurethane used in the UK is home-produced.

Prince's warning

PRINCE CHARLES warned a business conference in Newquay, Cornwall, yesterday that the West Country economy must be developed to avoid rural decay and social disintegration.

Skillcentres may go as Fowler orders training network review

BY DAVID BRINDLE

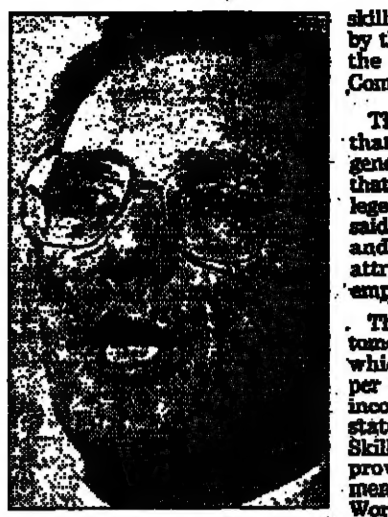
THE FUTURE of the 60 government-run Skillcentres was in doubt last night after Mr Norman Fowler, Employment Secretary, announced a review of the training network.

The minister's announcement was accompanied by a statement suggesting strongly that, in his view, the role of the Skillcentres had to a large extent been supplanted by other training agencies.

Skillcentres provide training mainly in craft and manual skills. The network has been pruned by about a third by the Government, the remaining 60 centres and a mobile training service being grouped since 1983 under the Skills Training Agency.

The review announced yesterday will cover the whole agency, will be conducted by a civil servant and an outside management consultant and will be completed by the end of January.

Mr Fowler said he wanted a speedy report because of the impact of continuing uncertainty about the future of the agency. Recommendations would be considered by the Manpower Services Commission in February with a view to any action being taken early in the 1988-89 financial year.



Norman Fowler: wants a speedy report

The announcement of the review follows criticism of adult skills training in recent reports by the National Audit Office and the Commons Public Accounts Committee.

The audit office report found that Skillcentre training was generally more expensive than that provided by courses at colleges of further education. But it said the cost gap was narrowing and the differential could be attributed partly to a greater emphasis on practical skills.

The agency has a supplier/customer relationship with the MSC, which provided more than 80 per cent of the agency's £78m income in 1986-87. Mr Fowler's statement yesterday said the Skillcentres had their origin in providing training for servicemen returning from the Second World War.

Mr Tony Gallagher, assistant secretary of the Civil Service Union, representing many of the agency's 3,000 employees, said last night the private sector would be incapable of providing the capital-intensive training required to counter skill shortages.

Girobank mortgage rate cut to under 10%

By Richard Waters

GIROBANK, the wholly-owned subsidiary of the Post Office, is to reduce its mortgage rate to 9.9 per cent from November 23 for new and existing borrowers with mortgages of over £50,000.

This undercuts everyone else in the latest round of rate reductions and breaks the psychologically important 10 per cent barrier. It will charge 10.2 per cent on mortgages of less than £50,000.

Two more banks lowered their mortgage rates yesterday. Midland said it would reduce its rate by 1 percentage point to 10.5 per cent for all borrowers from December 1. The Trustee Savings Bank announced that the rate on its endowment mortgages would fall to 10.3 per cent, while its repayment mortgage rate would be 10.8 per cent. These reductions take place immediately for new borrowers and from December 1 for existing borrowers.

National Westminster Bank and Halifax Building Society have already announced reductions in their mortgage rates to 10.25 per cent, and Barclays has opted for 10.3 per cent.

Other large building societies are waiting to see where interest rates settle before deciding on what rate to charge. Abbey National has said it will reduce its rate, while Woolwich said it was likely to do the same.

Girobank's move reflects its failure to gain a strong foothold in the mortgage market, which it entered a year ago.

Merchant bank chief resigns

MR DEREK HUGHES, managing director of Samuel Montagu, the merchant bank of the Midland Bank group, is leaving to pursue personal interests.

Mr Hughes, 56, said he would take on directorships and consultancy work for companies which need advice about investment banking.

Britoil and Burmah chiefs to go

By Lucy Kellaway

SIR PHILIP SHELBOURNE, founding chairman of Britoil, the largest UK independent oil company, is to retire next April, the company said yesterday.

Burmah Oil, in a separate announcement, said Mr John Maltby would step down as chief executive next July aged 60, although he will retain his position as chairman. His replacement will be Mr Lawrence Urquhart, group managing director.

Sir Philip, 63, is a director of IBM and of Rolls-Royce, deputy chairman of the Takeover Panel and a member of the Securities and Investment Board.

He joined BNOC, Britoil's state-owned forerunner, in 1980 and oversaw its transition to the private sector two years later.

He was chairman and chief executive until 1985 when Mr David Walker joined the company and took responsibility its day-to-day running.

Britoil yesterday said a new non-executive chairman would be appointed in due course.

Manufacturing output continues strong rise

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturing output continued to rise strongly in the three months to September, taking its growth since the same period last year to 6 per cent.

Official figures released yesterday by the Central Statistical Office show that output in the third quarter was 2 per cent higher than in the previous three months. Allowing for what appears to have been an unusually sharp rise in output during the summer holdiay period, CSO statisticians believe that the underlying growth rate is running at an annual 5 per cent to 5½ per cent.

In September alone, production was slightly lower than in August, a factor which prompted some unease in the City yesterday. But figures covering a single month rarely provide any real clues to changes in the trend, and the CSO appeared confident yesterday that the fall represented nothing more than an erratic monthly movement.

Manufacturing output is now slightly above the levels of the last peak, seen before the Government took office in 1979, but is still 3½ per cent below the levels of 1974.

Among the sectors which have seen their production rise particularly strongly over the last year are motor vehicles and parts, metals, and paper and printing. The output of the man-made fibre industry is still falling, while growth in the food, drink and tobacco industry is well below the average.

There are also signs that Britain's overall industrial output is now being consistently depressed by a gradual fall in North Sea oil production and by deep cutbacks in the coal industry.

The output of the energy sector in the latest three months was 3½ per cent lower than a year earlier. That brought the growth rate of total industrial production down to 3 per cent over the same period.

In spite of the recent stock market crash, the Government is confident that manufacturing output will continue to rise strongly during 1988.

However, several factors point to some slowing in the pace of growth. The Bank of England said earlier this week that Britain's industrial competitiveness had worsened by 7 per cent over the last year, largely as a result of a stronger pound. The squeeze this puts on manufacturing industry's exports is likely to be exacerbated by a deceleration in the growth of world trade in the wake of the stock market fall.

Yorkshire link from A1 to M1 proposed

PLANS for a £75m link road between the M1 and A1 in Yorkshire were announced by Mr Paul Channon, the Transport Secretary, yesterday.

The proposed road is expected to be ready in the mid-1990s and is aimed at bringing relief to communities to the east of Leeds which suffer from heavy traffic. It is also planned to improve the A1.

Mr Channon said the road from the northern end of the M1 would cut across the south-eastern outskirts of Leeds, joining the A1 just south of Aberford.

"These schemes will improve living conditions in many communities in and to the east of Leeds and will give the north and north-east much better access to the national motorway network," said Mr Channon.

Education Bill to outlaw bogus academic degrees

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT is to outlaw bogus degrees, said Mr Robert Jackson, Minister for Higher Education, in London yesterday.

He said the Education Bill, to be published next week, would restrict the right to offer UK degrees to institutions empowered to do so by Royal Charter or Act of Parliament. Those institutions consist of the 46 universities, the Council for National Academic Awards which covers the polytechnics, the Royal College of Art, and Cranfield Institute of Technology.

Other British-based educational establishments would be allowed to continue offering the degrees of bona fide foreign universities and colleges, but they would be required to make clear in all advertisements, correspondence and documents that they do not award British degrees.

People or organisations infringing the new measure, to be policed by local authority trading standards officers, would be liable to fines.

Mr Jackson said the Government deplored the activities of organisations which offered degrees of no academic value. They would be banned from advertising or otherwise offering degrees, and from using the terms "bachelor," "master" or "doctor" as they are employed by recognised higher educational institutions.

He added that, although the Government was equally opposed to bogus educational certificates of other kinds such as diplomas, it would unfortunately be impracticable to extend the ban to them.

Tories clash on S Africa sanctions

BY TOM LYNCH

THERE WERE angry exchanges between Tory MPs in the Commons yesterday as a senior Tory backbencher defended the African National Congress against accusations of terrorism and attacked the Prime Minister over her opposition to sanctions against South Africa.

In a debate on South Africa, Tory pro-sanctions campaigners - including Mr Ivor Stanbrook (Orpington), Mr Robert Adley (Christchurch) and Mr Hugh Dykes (Harrow East) - clashed repeatedly with other Tories, notably Sir Ian Lloyd (Havant), Mr George Gardiner (Reigate) and Mr John Carlisle (Luton North).

"The Prime Minister was wrong to say that the ANC is a terrorist organisation like the IRA. It is not," Mr Stanbrook said.

Sir Ian intervened. He said the ANC was "exactly identical to the IRA in every single respect and we do ourselves no good in negotiating with it."

Mr Stanbrook told Sir Ian: "The ANC has been driven to violence, and who can condemn them for that in the circumstances? If you don't understand the strength of that distinction, you don't understand anything."

He said the difference between the ANC and the IRA was "absolutely fundamental." Republicans in Ulster had the right to vote, while in South Africa "the legitimate representatives of the African people have been oppressed and driven out. There is no possibility of constitutional opposition by Africans in South Africa."

He attacked the Prime Minister for her use, in Vancouver, of trade statistics to embarrass the Canadian Government over its links with South Africa.

This had encouraged some newspapers to print "damned lies and distortions" about other Commonwealth states.

Sir Ian said the ANC's chance to put its views in South Africa were "not as ideal as anyone in this chamber would like." However, other leaders like Chief Gatsha Buthelezi did make their voices heard.

Mr Donald Anderson, from the Labour front bench, urged the Prime Minister to use her influence on South African whites to convince them change was needed. Several Labour backbenchers supported the call for tougher sanctions against South Africa.

Mrs Lynda Chalker, Foreign Office Minister of State, said: "Let no one doubt the sincerity of our determination to see apartheid ended. We oppose apartheid root and branch. It must go and it must be replaced by a representative, non-racialist system of government."

She rejected charges that the UK was out of step with the Commonwealth, saying there was general agreement on the ends but not the means.

Michael Cassell on a stormy week in the House of Commons

MPs move from low farce to high drama

MR BERNARD WEATHERILL the Speaker of the House of Commons, shouted over the heads of squabbling MPs this week that the reputation of the chamber over which he presides "lies in the mouths, actions and behaviour of its honorable members."

Over the past few days, elected members of the Commons appear to have done little to enhance the public standing of a place which is already held in fairly low esteem beyond the precincts of the Palace of Westminster.

At the height of the latest row on Thursday, the Speaker warned that MPs were bringing the House into grave disrepute and, by failing to maintain good behaviour and high standards of conduct, were not giving the nation the lead it could rightfully expect.

His remarks came during a particularly ill-tempered session in a stormy parliamentary week and they culminated with the expulsion from the Commons of Mr Tam Dalyell, the Labour MP for Linlithgow, who has pursued a single-minded campaign against Mrs Thatcher for her involvement in the Westland affair.

A respected parliamentarian, Mr Dalyell's repeated attempts to brand Mrs Thatcher a liar finally proved too much for the Speaker after a trying week which embraced moments of high farce, as Mr Eric Heffer donning a collapsible opera hat to draw the Speaker's attention during a division, and high drama, with an increasingly furious Speaker pleading to MPs "for God's sake sit down!"

But in a week when respect for the procedures of the House seemed to be stretched to breaking point, it was not so much Mr Dalyell's well-rehearsed departure which raised eyebrows as the fact that more than 100 Labour MPs, including three whips, voted against the suspension.

Their action, interpreted as an open defiance of the Speaker's ruling, together with the wild applause from Labour benches which accompanied Mr Dalyell on his walk to the Member's Lobby, has inevitably raised suggestions that the newly constituted Commons has reached a new low in standards of behaviour and that firm action is needed to prevent the situation from deteriorating further.

Speaker Bernard Weatherill: authority challenged

Earlier in the week, the Commons was forced by Labour MPs to sit all night to consider the private bill to expand Felixstowe docks. But their strategy backfired when the Government decided to take advantage of Opposition disarray and keep everyone talking in order to ensure the next day's business - including Scottish questions and two Opposition debates - was lost. As one government whip commented: "Labour held the ball all day and were stunned when we decided to pick it up and run with it."

Labour whips then attempted to shift attention away from their own difficulties by accusing the Government of corruption in demonstrating its determination to see through a bill sponsored by Peninsular and Oriental Steam Navigation, a company which subscribed to Tory party funds.

The wider argument that the system of private bills could well be brought into increasing disrepute by the alleged attempts of some of their promoters to influence MPs' opinions was buried under an avalanche of blatantly bogus points of order and endless back-bench calculations about how many bottles of champagne it takes to confirm corruption.

Ministers predictably blame recent events on Labour benches, which are frustrated by yet another mammoth Tory majority, and on an influx of new MPs anxious to learn the art of Commons combat from experienced colleagues who are more than anxious to give them a lead.

A senior minister said last night: "The Speaker must be obeyed or the whole system breaks down. The mood of the House can change very quickly, however, and the hope is that things will quickly quieten down. We must get back to sensible debate and discussion as soon as possible, otherwise the real issues get neglected".

Special "peace talks" between party whips - dubbed "the usual channels" - have so far been been ruled out in the hope that common sense prevails and both sides of the House get back to business.

Though some senior Labour figures did not approve of the latest, dramatic challenge to the Speaker's authority, they do not appear unduly worried about recent events in the Commons, though there was considerable anguish and not a few harsh words over the strategy adopted for the Felixstowe bill.

The message from the party leadership was that recent events prove Labour's determination to mount and sustain as effective an opposition as possible, given the numerical odds against it.

Mr Roy Hattersley, Labour's deputy leader, said Labour meant to show it was prepared to use all tactical weapons at its disposal to fight a series of "offensive" legislative proposals. It was looking forward to the battle and intended to expose a style of government which increasingly nurtured "special relationships" with companies and vested interests that sought its help.

The noisy, angry and bad-tempered scenes played out in the Commons this week will have provided a source of real concern to the Speaker.

As another senior minister commented yesterday: "The sooner television gets in there, the better behaved people will have to be. At the moment, it just sounds like bedlam but the presence of cameras should calm everyone down."

However, there are widely opposing views on whether television would improve behaviour or merely encourage the tireless band of parliamentary exhibitionists.

Alice Rawsthorn looks at a new threat to an old British industry

Piano imports hit discordant note

IN THE EDWARDIAN era, when the British piano industry was in its heyday, Kemble was struggling to establish itself as a piano maker in Stoke Newington on the outskirts of London.

After six decades of decline for the industry, Kemble is by far the biggest of the six piano manufacturers left in Britain. Yet today Kemble, like the other surviving piano makers, faces a new threat: an influx of cheap pianos from South Korea.

The South Korean industry first began to export pianos to Europe at the turn of this decade but in the past year or so the flow has accelerated. The piano makers of South Korea have used the benefits of low labour costs and a competitive currency to undercut European manufacturers.

In Britain a good upright piano retails from £1,500. South Korean pianos of acceptable quality are being imported at trade prices of £600, which is less than it would cost a British manufacturer to make them.

The surge of South Korean imports is potentially so damaging that the European Commission recently initiated an inquiry into the problem.

Ironically, the surge has coincided with a recent recovery by the British piano industry.

In the past year or so, the industry's prospects have brightened. After six years of stability the number of pianos sold to the home market rose by 16 per cent to 12,571 last year. More than two-thirds of these were imported. But British manufacturers benefited from a buoyant export market and employment in the industry increased slightly.

The increase in sales has continued this year. Chappell of Bond Street, one of the largest London dealers, reports healthy demand and a trend for people to treat themselves to more expensive pianos.

The British piano-making industry dates back to the 19th century, when there were more than 200 manufacturers. It flourished until the 1920s, when it produced up to 60,000 pianos a year.

Richard Niaff of Chappell playing a Kemble piano

The industry has declined steadily ever since. First, the piano market faltered. Then, in the late 1960s, the first Japanese pianos arrived in Britain. Imports, hitherto restricted to very fine West German and Austrian pianos, emerged as a serious problem.

One by one many of the famous names of British piano-making disappeared. Yet Kemble grew. It did so by moving in 1969 from its antiquated Stoke Newington factories to a spanking new production plant in Milton Keynes and by making pianos *for other companies.*

Over the years Kemble bought the rights to the names of less fortunate fellow manufacturers, such as Cramer and Brinsmead. It also began to manufacture for overseas companies such as Schmidt-Flohr of Switzerland and Klein of France.

But in the late 1970s the British piano industry was dealt a double blow. First the export market collapsed when sterling rose to uncompetitively high levels. Then the home market shrank as Britain sank into recession. As if to add insult to injury the influx of Japanese pianos turned into a flood.

In 1979 almost 16,000 pianos were sold in Britain, only 40 per cent of which were imported, according to the Pianoforte Manufacturers and Distributors Association. Three years later fewer than 11,000 pianos were sold and more than half were imported. The surviving British manufacturers were left to struggle for a smaller share of a shrinking market.

Kemble suffered with the rest of the industry. Its production peaked in 1976 when it made more than 6,000 pianos and employed 200 people. Five years later it manufactured just 3,000 with half as many workers.

The company hauled itself out of the doldrums by cutting costs and improving productivity. Piano-making is still a labour-intensive process as much of the work is done by hand. Yet there has been some innovation. It has also augmented its links with other companies including Ibach of West Germany and Yamaha of Japan.

The association with Yamaha dates back to the 1960s when Kemble began to distribute its pianos in Britain. Three years ago the two companies established a joint venture, whereby Kemble assembled Yamaha pianos in Milton Keynes.

This year Kemble will make more than 1,200 Yamaha pianos for sale both in Britain and continental Europe. Last year Yamaha acquired a shareholding in Kemble. But the Kemble family - now in its fourth generation of piano makers - retains control.

For Yamaha this venture offered an opportunity to dampen the effects of the rising yen on its European sales. Kemble has been able to increase output - from 3,500 pianos last year to 4,500 this year - and to expand its workforce.

The other survivors of the British piano industry are smaller concerns without influential Japanese partners or ambitious capital expenditure programmes.

Alfred Knight, which has made pianos for more than half a century, watched its production fall from a peak of 1,800 in the late 1970s to just 700 last year. Mrs Sylvia York, the daughter of the founder and the present chairman, said that Knights has survived by "adapting very, very quickly as only a family business can."

Similarly Spencer, which was set up in Milton Keynes five years ago, went into receivership twice before being bought by the Clarke family. Spencer, now trading as Miltone Spencer, has *been steered back to break even* by cutting the workforce of 15 to just seven people.

All these companies, large and small, are threatened by the South Korean surge. A crumb of comfort for the British industry is that it is not the only one to suffer from imports. As Mr Christopher Clarke of Miltone Spencer, put it: "The South Koreans are now doing to the Japanese what they did to our industry eight years ago."

Post Office agrees talks to avert strike

By John Gapper, Labour Staff

THE POST Office yesterday agreed to "urgent and wide-ranging discussions" with the Union of Communications Workers next week in an attempt to avoid strike action over Christmas.

Talks are due to resume on Monday, with the result of a strike ballot of the UCW's 162,000 members on the union's claim for a reduction in the working week from 43 hours to 40 to follow on Tuesday.

After talks yesterday led by Mr Ken Young, Post Office vice-chairman, and Mr Alan Tuffin, UCW general secretary, the two sides agreed to discuss the "mechanics" of how to change working arrangements.

The two sides said that the talks would cover reliability of service, productivity agreements, and the "length and structure" and "funding and implementation" of a shorter working week.

The Post Office, which says that postmen work a 39½-hour week excluding breaks, has offered a one-hour reduction, which it says would put its staff among the top 10 per cent of manual workers in terms of pay and conditions.

The joint statement yesterday said that that there was "scope for greater mutual benefit" of postal workers and Post Office customers. Mr Tuffin has said that he would like to reach a compromise.

The union is confident of a majority in favour of industrial action - which could include such options as an overtime ban, withdrawal of goodwill and selective strikes of between one and three days - but there are fears that it could be a narrow one.

Wage deals level 'rises to highest of the year'

BY DAVID BRINDLE, LABOUR CORRESPONDENT

PAY DEALS are running at a median level of 5.5 per cent, higher than at any time this year, according to a survey to be published next week.

The survey by Industrial Relations Services, the research group, says that while the trend may appear to have been "ever upward" since the start of the summer, it is not yet clear whether this is a general movement or the result of a few large recent settlements.

However, it warns: "With the good profit record of many British companies and the pressures on pay rates from factors such as the need to recruit and retain skilled employees, the increased costs of living in London and the south-east and rising inflation generally. . .pay settlement levels are unlikely to decline in the near future."

The IRS survey follows publication this week of the Government's latest figures for the increase in average earnings, showing an underlying rise of 7.75 per cent in the economy as a whole, 8.5 per cent in manufacturing and 7.25 per cent in services.

A rising trend of basic settlements would maintain upward pressure on these indices and on unit labour costs, while increasing anxiety in the public sector over the Government's 4 per cent inflation and pay assumption for 1988-89.

IRS finds the mean level of pay settlements to be 6.5 per cent, compared with 5.8 per cent a month previously, with the top of the range of deals (excluding the top 10 per cent) rising similarly from 7.5 per cent to 8.4 per cent.

- A key ruling under European law earlier this autumn may have implications for any employer implementing redundancies, IRS says in its latest industrial relations legal information bulletin.

The ruling by the Employment Appeals Tribunal held that women National Health Service workers must be paid the same redundancy pay as male colleagues of the same age. Under NHS rules, women's redundancy rights have been progressively reduced after age 59.

Although the case applied to contractual employment rights, IRS says it is "arguable" that it could also be applied to statutory redundancy terms.

Pay and Benefits Bulletin/Industrial Relations Legal Information Bulletin. IRS, 18-20 Highbury Place, London N5 1QP. By subscription.

Militant is tipped for key CPSA post

BY DAVID BRINDLE

MR KEVIN Roddy, a leading Militant Tendency supporter, was last night being widely tipped to become head of organisation of the CPSA, the biggest civil servants' union.

His appointment to the post would add to the growing number of Militant and hard-left supporters obtaining key jobs under the union's Militant-led national executive committee.

Mr Roddy's application for the vacancy was lodged at CPSA headquarters by yesterday's closing date. His confidence in winning the post is reflected in his non-inclusion in the hard left's slate of candidates for next spring's executive elections.

The job, which offers a total salary of up to £16,600, carries responsibility for membership recruitment, organisation and promotion of the CPSA and maintenance of membership records.

Mr Roddy, a former CPSA president, is one of the most prominent Militant supporters in the union movement. At present he is employed at the child benefit computer centre at Washington, Tyne and Wear.

His main rival for the job is likely to be Ms Ann Jarvis, a supporter of the non-Trotskyite Broad Left '84 CPSA faction, who is a lay-organiser in the union's Employment Department section.

Applications for a second full-time CPSA post - an assistant secretaryship - also closed yesterday. Tipped for the vacancy is Mr Graham Corbett, an activist in the Environment Department, who is identified with the Militant-led Broad Left faction but is not himself a Militant supporter.

Bifu to hold vote at Midland

By John Gapper

THE BANKING, Insurance and Finance Union is balloting members in Midland Bank on stepping up industrial action over pay to include a series of two-hour lunchtime stoppages amid signs that an overtime ban has so far failed to bite.

The union, which blames a pre-Christmas lull in banking *business for the limited effect of* the overtime ban imposed on September 30, said yesterday that it was hopeful of a vote in favour of tougher action by its 26,000 Midland members.

Mr Steve Gamble, Bifu assistant secretary, said that the £400m investment in Midland by Hongkong and Shanghai Bank announced yesterday would make it harder for Midland to say that it lacked the financial resources to pay staff more.

Kinnock pledges full support for N Ireland security forces

BY OUR BELFAST CORRESPONDENT

MR NEIL KINNOCK, the Labour Party leader, pledged his full support for the security forces in their fight against terrorism, during a short visit to Northern Ireland yesterday.

Mr Kinnock, a strong supporter of the Anglo-Irish Agreement, had talks with church leaders and political representatives, and was given a full security briefing in Armagh.

He also met Mr Ken Maginnis, Ulster Unionist MP for Fermanagh and South Tyrone, in whose constituency the IRA bombing of Enniskillen happened last Sunday.

During a series of meetings in a hectic schedule, Mr Kinnock reiterated that while he was Labour leader there was no question of the party having any links with Sinn Fein, the IRA's political wing.

He said he would not give credibility to any organisation which supported violence as a means of achieving political progress.

Earlier in Dublin Mr Kinnock said it would be a mistake for the Irish Government to link ratification of its Extradition Bill with changes in the administration of justice in Northern Ireland.

He said that since the Enniskillen tragedy there had been a shift of opinion in Ireland generally and the extradition issue was receiving fresh appraisal.

He added: "It is certainly the case that the same sense of recoil exists in the Republic of Ireland as exists in the United Kingdom as a consequence of last week's Enniskillen bombing, together with other horrors that hit the Republic in the weeks before that."

Mr Kinnock made it clear that he had told Mr Charles Haughey, the Irish Prime Minister, that in his view the extradition arrangements should be ratified.

He said: "I put them in the context of the Anglo-Irish Agreement, which I strongly support, and also the joint determination of two democracies to treat that very special form of crime - terrorism - on an equal basis."

The Labour leader said it would be a mistake to try for a quid pro quo arrangement involving extradition and changes in the Diplock courts, where judges sit alone to hear terrorist cases in Northern Ireland.

Mr Kinnock's visit came on the eve of Unionist rallies in towns throughout Northern Ireland on the second anniversary of the Anglo-Irish Agreement.

Insurance funds rise to £174bn

By Eric Short

THE TOTAL value of life and pension funds of insurance companies operating in the UK amounted to £174.6bn at the end of last year - £32bn more than at the end of 1985.

General insurance funds of these companies rose by £8bn over the year to £36.8bn.

The size of insurance funds is just one of the figures in Insurance Statistics 1982-86, from the Association of British Insurers.

Life and pensions premiums rose by over £4bn to £21.5bn, of which £3.2bn came from overseas, and general insurance premiums climbed by more than £3bn to £18.9bn, with half coming from overseas.

Underwriting losses in the general insurance business fell by £800m to £1.4bn and there was a trading profit of £1.1bn, the best since 1981. Life companies paid out £14.4bn in claims - more than two-thirds of their premium income.

Life funds held half their assets in equities at the end of 1986 - about £88bn. Gilt holdings, amounting to £31.1bn, accounted for a fifth and direct property, at £24.9bn, for 15 per cent.

The UK insurance industry, including Lloyd's, contributed £4.26bn to invisible earnings in 1986 - 45 per cent of the total from financial institutions - compared with £2.91bn in 1985.

Insurance Statistics 1982-86, Association of British Insurers, Aldermary House, Queen St, London EC4N 1TT. Free.

Ford hit again as engine staff walk out over pay

BY JIMMY BURNS, LABOUR STAFF

FORD yesterday suffered another day of industrial unrest when 1,500 manual workers staged an unofficial 24-hour strike at the company's engine plant at Bridgend, South Wales.

The action, similar to that carried out by 14,000 manual workers earlier this week at the company's Dagenham factories in east London, the Southampton van plant and the research centre at Dunton, Essex, was in protest at the company's three-year wage offer linked to significant changes in working practices.

In a further development yesterday, 8,000 manual workers at the giant Ford plant at Halewood, North Merseyside, split over a 24-hour unofficial strike call for Monday also in protest over the pay offer.

After the night shift had voted to stay out, the day shift rejected the call by a two-to-one majority. As the shifts change over the weekend, the company expects car production to be halted at the plant on Monday.

The strike by about 4,000 workers is planned to begin just as 600 supervisors return to work after a five-day stoppage over proposed changes to their role.

Membership of AEU forecast to fall by 7%

BY PHILIP BASSETT, LABOUR EDITOR

MEMBERSHIP of the Amalgamated Engineering Union is set to fall by almost a further 60,000 this year in a move which will have a considerable impact on overall union membership and density figures for 1987.

AEU leaders expect the union's membership of 857,559 at the start of the year to have fallen by the end of 1987 to about 800,000.

This decline of almost 7 per cent follows a fall last year of 117,345 - making a cumulative total fall for the two years of about 175,000 members, or 18 per cent of the total.

AEU forecasts expect a further fall next year of about 50,000, pushing the union down to about 750,000 - a decline during the three-year period of about 200,000, or some 23 per cent.

While some of the decreases stem from continuing job losses in manufacturing, others stem from a winnowing-out by AEU leaders of lapsed or otherwise defunct membership roll entries.

This year's decrease, which may see the GMB general union take over as Britain's second-largest, seems certain to push the overall membership of TUC-affiliated unions close to the 9m mark, which would be the TUC's lowest level since 1969, before the union membership boom of the 1970s.

In an attempt to generate more money from members to finance recruitment, AEU leaders have succeeded in winning agreement from the union's recalled rules revision conference to something they have tried to achieve for years - linking contribution levels directly with members' income. Earlier this year the conference rejected the move.

The union's leadership believes that the change will allow for stable forward planning of AEU finances, which have been under considerable strain. This year the AEU took steps to head off an anticipated 1988 deficit of £2m, including a wage freeze, local office closures and redundancies for 37 union officials.

Contribution rates will rise by 8p to £1 a week in January, by a further 10p in January 1988 and from January 1990 will be linked to earnings at 1 per cent of the engineering industry's national minimum time rate.

Mr Gavin Laird, AEU general secretary, says: "It's a one-shot deal in the sense that the membership will soon learn to live with it."

Last year the AEU's contribution income per member was £22.32, compared with £35.54 for the TGWU transport union and £33 for the GMB general union.

Consumer body urges simpler law on cheques

By Richard Waters

THE LAW governing cheques should be simplified, the Consumers Association says in a paper published this week.

"There is a lot of confusion in consumers' minds about cheque crossing," says the association in its response to the Review Committee on Banking Services Law.

An explanation of cheque crossing should be contained in a *document which sets out the* main responsibilities of banks and customers, says the association. This model contract, urged on previous occasions by the consumer watchdog body, is supported by the Office of Fair Trading and the National Consumer Council.

It calls for crossings marked "special," "not negotiable" and "a/c payee only" to be amalgamated and to be recognised by law.

The association says that a payee may suffer hardship in the relatively rare instances where a bank makes a mistake by paying out on a cheque by mistake and later claws back the money from the payee. The payee should have some degree of protection.

BBC2 coverage of arts and culture to increase

BY RAYMOND SNODDY

THE BBC is planning to extend its coverage of arts and cultural matters on BBC 2, with the clear implication that in future the channel may be more obviously complementary to BBC 1.

The likely new balance between the BBC's two national television channels emerged yesterday when the newly-appointed channel controllers, Mr Jonathan Powell of BBC1 and Mr Alan Yentob, the new controller of BBC 2, *spoke about* their jobs for the first time.

Mr Yentob, until now head of music and arts at the BBC, said yesterday: "There will certainly be more arts and cultural matters on BBC2."

Mr Yentob, the creator of the arts programme Arena, said the issue was high on his agenda. The 40-year-old BBC programme maker is likely to try to find innovative ways of portraying the arts on television. He is seriously examining the possibility of a nightly arts magazine on BBC 2.

The extra attention given to the arts combined with the BBC's stated policy of increasing current affairs coverage will increase pressure on the BBC schedule. Mr Yentob, who is an honorary fellow of the Royal College of Arts denied that this would necessarily mean any reduction in sport on BBC 2.

"I have to be thinking of everyone's interests and not just my own," Mr Yentob said.

The twin appointments are rather unusual in that both are on the arts side of BBC production. Mr Powell is head of drama and series and serials.

"If there is a similar background we must ensure that it does not prejudice the diversity of our programmes," Mr Powell said yesterday. Mr Powell, also 40, was the executive producer on The Perfect Spy, now showing on BBC television, and the instigator of the BBC's most popular programme - the soap opera EastEnders.

Mr Michael Grade, director of programmes at BBC Television, who will replace Mr Bill Cotton as managing director of network television when he retires in April, said yesterday: "We have in the two new channel controllers real programme makers and programme spotters of flair."

Vodafone links with Mercury

RACAL VODAFONE, a cellular telephone network operator, and Mercury Communications, British Telecom's rival, are to transfer traffic directly between each other. Mr John Peett, who negotiated the deal for Vodafone, said it would improve call quality between Vodafone and Mercury networks.

By obviating the need for calls between Vodafone and directly-connected Mercury clients to travel via BT's network, it would also increase Vodafone and Mercury revenues.

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Sources of job creation

THIS WAS the week when a certain sense of normality returned to economic life. Admittedly, normality can be rather peculiar. The US announced a trade deficit of $14.1bn for the month of September alone, bringing the deficit for the first nine months to over $128bn. The markets promptly concluded that this was good news, the response being a *firming of* both the dollar and equity markets.

Normality is fragile. Yet the sense of stability, however temporary it proves, allows one to appreciate that nothing has yet changed in the real economy. This message can be obtained from the encouraging figures on UK employment and unemployment released on Thursday.

According to the official figures, unemployment fell by 58,000 on a seasonally adjusted basis (excluding school leavers) in the month to October 8,1987. The level of unemployment has fallen to 2.7m, 497,000 below the peak in June 1986.

Unemployment figures are no longer easy to interpret. Figures on employment might be more informative, but these have not been updated since the end of the second quarter. Where the employment figures have been updated is for manufacturing, which shows a decline of 20,000 in the quarter to the end of September 1987.

Real earnings

The decline in employment in manufacturing gives an insight into what has been going on in the UK economy. Earnings continue to rise at a high rate, with the rise in the year to September at 8½ per cent, up from 7¾ per cent at the beginning of the year. The implication is a continuing and steady increase in real earnings, the rise being 3 per cent in the year to September.

With this sort of rise in real earnings, the substitution of labour for capital is highly unlikely. Growth in employment depends, therefore, on overall growth. With the economy growing at 4 per cent a year, clearly above the long term trend, unemployment has at last begun to decline. Nonetheless, it will have to decline by the last year's number for at least five years before the rate of unemployment, comparably calculated, falls to that inherited by the Government in 1979. Is there any chance of this happening?

From the point of view of unemployment, the pattern of productivity growth has been as favourable as could be. For reasons of counter-inflationary strategy it has been decided to fix the exchange rate against the D-mark since the beginning of 1987. This has proved consistent with the underlying growth of unit costs in the economy because of the rapid growth of productivity in manufacturing. In 1987 unit costs in manufacturing in the UK are expected to fall in relation to those in the other major industrial countries, the reason being that productivity in manufacturing has risen by over 7 per cent in the year to August 1987.

The implication of this very high growth of productivity in manufacturing is that employment growth cannot be expected. But this has not mattered because of the vastly lower rate of growth of output per man in services, estimated at 1½ per cent over the past eight years and little more in the past year.

Earlier experience

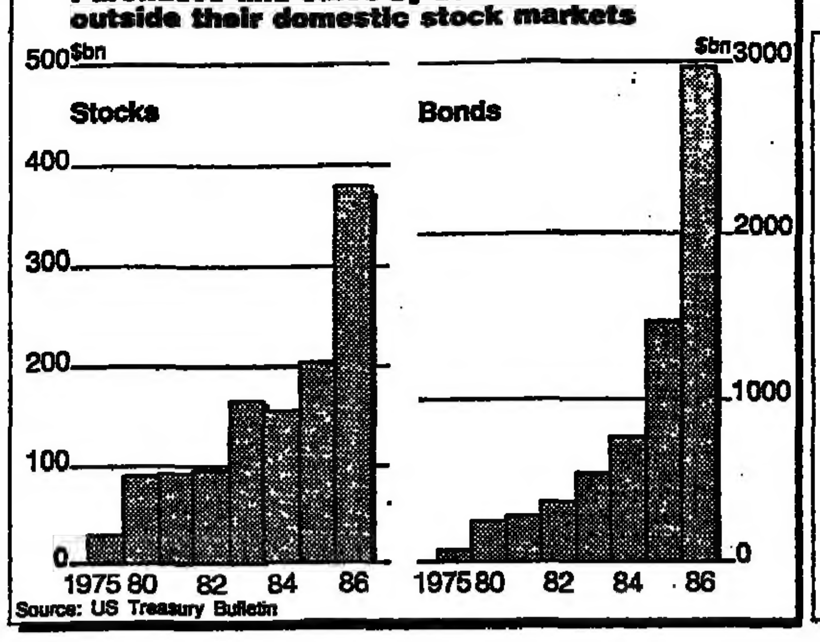
In short, while the fast rate of growth of productivity in manufacturing has made a high rate of rise in earnings consistent with a stable exchange rate against the DM, the low rate of growth of productivity in services has produced a fall in unemployment. More precisely, employment grew by 1½ per cent in the year to June 1987 while output grew by 3.8 per cent.

Is this fortunate conjunction, reminiscent of earlier experience in Japan, likely to last? The Treasury expects growth to be only 2½ per cent next year. This would not only lower the direct growth effect on unemployment but will probably lower the rate of growth of productivity in manufacturing as well. If so, the pressure on the exchange rate could increase, unless earnings growth declines quite unexpectedly. *The effect on the growth of* manufacturing output of the loss of competitiveness would be highly adverse, in the usual vicious circle. Unemployment could continue to fall, however, if productivity growth in services were to fall as well, but then inflation would be on an upward course even with the fixed exchange rate.

The decline in unemployment been an encouraging and in some respects a very fortunate one, but there is a long way to go and the road looks very bumpy indeed. One can only hope that things remain normal for long enough to allow the process to continue.

John Plender considers why all the world's stock markets have crashed together

Purchases and sales by investors outside their domestic stock markets



Source: US Treasury Bulletin

Foreign investment by private sector pension funds

	1980 of total assets	1980 $bn	1986 of total assets	1986 $bn
US	1%	3.3	4%	45.0
UK	9%	9.7	20%	56.6
Japan	1%	0.4	10%	14.5
Canada	7%	2.0	9%	5.6
Netherlands	4%	1.5	10%	8.5
Switzerland	4%	1.3	5%	3.3
W.Germany	2%	0.5	4%	1.9
Australia	0%	0	15%	1.8
France	1%	0.7	2%	0.2
Rest of world	2%	1.7	4%	7.6
Total		21.1		145.0

Source: Intersec Research Corporation

Foreign investors' share of trading volume in leading equity markets in 1986

	Total trading volume $bn	Accounted for by foreign investors
US	2686	10.3%
Japan	1995	9.3%
UK	266	35.5%
W.Germany	151	39.5%
France	94	34.7%

Source: Salomon Brothers

A homing instinct in the storm

SUDDENLY THE pressure is off. After the long and dizzy slide since Black Monday, October 19, world equity markets finally paused for breath this week.

As the securities business licks its wounds, the inevitable post-mortem examinations are already in train - in the open and with much ballyhoo in the US; behind closed doors in Japan and Europe. The nagging questions are the simplest ones. Why did the crash hit hardest some of the strongest economies, notably in Europe? Why did the market fail to stabilise earlier? How far was the severity of the slide the fault *of deregulation* and *high*-tech dealing systems? And, not least, where do we go from here?

It will take time for satisfactory answers to emerge. But there seems little doubt that deregulation and the globalisation of securities markets will henceforth be seen in a less flattering light. There is mounting talk of a foreign sell-out across the world, as panicky investors have retreated back into the familiar surroundings of their own domestic markets.

This could provide part of the explanation why Britain, with one of the strongest economies in the OECD area, appears to have been a more spectacular victim of the crash than either the US or Japan. It also suggests that the global equity market is no longer fulfilling the economic function envisaged when the deregulation bandwaggon started to roll.

At one level, the spectacular growth in global portfolio investment *(see charts) reflects the* desire of investors to diversify into different currencies and markets in response to the new freedoms offered by liberalisation. At another, it contributes to overshooting in those markets.

The classic instance has been the deregulation of Japanese capital flows. For Japanese savings have helped finance the US trade deficit which is at the root of the markets' current worries. As one central banker put it rather sourly this week, why, when the US was engaged in surrendering sovereignty to the markets, did foreign investors invest so uncritically in US Treasury bonds for so long?

Globalisation started to shift into reverse in the first quarter of this year when Japanese and other foreign investors panicked over the collapse of the world's chief reserve currency. While the Japanese fund managers continued to buy US securities, they did *so* on borrowed dollars. In other words, they shifted from investment to speculation, while pumping their cash flow mainly into the Tokyo market, which soared to seemingly absurd levels. Central banks were left to finance the US imbalance of payments.

This October the process has been taken a stage further, with large-scale divestment by foreign investors in general. And the deregulation of Britain's stock markets has left London vulnerable to the backwash in the aftermath of Big Bang. Before deregulation, the Stock Exchange was a parochial backwater. Today, it is the Clapham Junction of the international equity markets, accounting for an exceptionally high proportion of trading in international equities in relation to domestic business. The problem is also acute for continental Europeans such as France and West Germany, where foreigners account for a huge percentage of securities turnover (see chart).

It is possible to exaggerate the scale of the under-performance of British equities. As with so many market statistics, it all depends on the starting point. The downturn in New York, for example, could arguably be dated from October 6, when the Dow Jones Industrial Average *fell 3½ per cent in a single day* - then a record - in response to tighter German monetary policy and concern over the apparent discord between the US and West Germany over the Louvre currency accord.

These worries were reflected in rising US interest rates and bond yields. If the slide is measured from then, instead of Black Monday, the FT-SE index was down by 31.3 per cent by the close this Wednesday when the investments institutions had started the rally, compared with a fall of 28.1 per cent on the Dow Jones - scarcely a huge margin.

Narrowing the difference by changing the starting line none the less fails to address the concern of Mr Nigel Lawson, the British Chancellor, who clearly believes that Britain's recent economic track record would have justified a substantial outperformance against Wall Street.

Nor does it make much sense of Tokyo's performance, where the Nikkei index fell only 19.2 per cent over the period - this despite a reported $15bn sell-out by foreign investors on the three major Japanese exchanges, accounting for 10-15 per cent of non-resident equity holdings.

All the indications are that while foreign selling may have *contributed importantly to the* severity of the slide in London, the domestic investment institutions, such as unit trusts, insurance companies and pension funds played a key part. The evidence comes from information on the size of Stock Exchange bargains in the week of Black Monday.

The global equity market is not fulfilling the function envisaged at the start of deregulation

The usual average bargain size in equities was reckoned before Black Monday to be around £22,000. Yet from Wednesday October 21 the average size of sales bargains was substantially greater than this, while the average size of purchases was much less. In other words, the institutions were probably selling to private investors.

All this fits the wider picture. After a 12-year bull market, it would have been very surprising if the market makers were not running large positions up to the limits of their capital ratios, making it all the harder for them to stabilise prices as they turned sharply downwards.

British equities had had a bigger run up than most in 1987 and the institutions were very heavily invested in equities. Their liquidity had been drained by a large volume of new issues, while some pension funds had reduced their cash inflow through contribution holidays. With the British Petroleum share offer putting further pressure on liquidity, as the sub-underwriters confronted a huge call on their resources, few fund managers were in a position to pump cash into the market. Those who were had to worry about how their three-monthly performance figures would look if the rest of the herd stayed away.

In contrast, the Japanese investment institutions were highly liquid and the Government traditionally responds to stock market crises by inviting fund managers to support the market. The big four securities firms also do their bit. So most of the selling in Tokyo over the past month has comes from foreigners and private investors.

In the US, in the meantime, corporations have responded to the market crash by buying in shares, which must have exercised some restraining influence on the slide. In Britain, such things are not done.

If there are technical reasons for the British institutions' failure to come into the market earlier, the reaction of American and Japanese institutional investors to overseas investment looks perverse. With the dollar hitting new lows, the Americans have a powerful incentive to hedge overseas. But from the point of view of the US Administration, the move to repatriate funds is a formidable blessing: in a country without exchange controls a dollar free fall carries a serious risk of capital flight on a massive scale, if private individuals wake up to the nature of their economy's external position.

As for the Tokyo market, it retains its bubble characteristics even at today's lower levels. The Japanese housewives, who this week snapped up the latest privatisation offering of NTT, the Japanese equivalent of British Telecom, were undeterred by a price earnings ratio that is measured in hundreds compared with BT's multiple of 11.

Arguments rage about the valuation of Japanese shares; but to Western eyes, this continues to look a dangerous situation, and one from which Japanese investors might do well to diversify into European equities.

With equity prices at their present level, how stable or shaky is the world's financial structure? The response from monetary officials who have assiduously pumped liquidity into the money markets is reassuring. In an economic cycle where the securities markets have played a greater role in financial intermediation than banks, there was always a risk of a short, *sharp* shock. While bankers can argue that the value of the loans in their balance sheets is a matter of judgement and bank auditors can be relied on to do what they are told, those who hold stock market *investments see them being* repriced minute by minute and the auditor cannot slide away from uncomfortable decisions in the face of the market quotation. To have come through such a sharp setback without a serious bankruptcy, in which the securities infection spread to the banking system is, say the central bankers, a remarkable achievement. Take heart, is the message.

Well, maybe. But some very big losses have been taken in the system. Even if outright bankruptcies are avoided, shotgun marriages may well be in course of arrangement. Not least on Wall Street, where the conventional wisdom that the best known names are very adequately capitalised looks increasingly unconvincing in the light of the investment banking losses that have been announced over the past month.

One of the lessons of the British Petroleum underwriting, *where the most prestigious* investment banks in the US were only too anxious for the British Government to bail them out of their commitments, is that the US underwriting system concentrates risk very narrowly on individual firms. The much criticised British system, by contrast, spreads risk more widely around big institutional sub-underwriters.

Another lesson is that the primary market in international equities exists only when prices are going up. After the noisy American threat to dump BP stock on the British market, leading industrialists around the world may well start questioning the value of an international spread of equity ownership. The cost of capital looked cheaper on the way up; but now comes the hangover after the party.

The consolation is that the rise in bond market prices reduces the cost of raising debt finance. But that is not much help to many smaller British companies, which have derived no benefit from the internationalisation of equities and bonds and now see a very illiquid market in their own shares. And in the US the bond market rally has been restricted to better quality borrowers.

The secondary market in international equities seems likely to play a diminished role in balance-of-payments financing for the immediate future. But since it continues to provide collateral for the international banking system, it retains the capacity to transmit shocks across the globe. The problems of Australian entrepreneurs who borrowed to speculate in foreign markets already dog numerous bankers and their share prices - most notably Standard Chartered, through its association with Mr Robert Holmes a Court.

All this suggests that we have reached the limits of financial interdependence. Henceforth re-regulation will be the order of the day. And in Britain that probably means that the authorities will feel obliged to review capital adequacy rules, as well as looking more cautiously at the arguments for importing US ways of issuing capital.

As for the market, its future *movements must still be dictated* primarily by economic fundamentals and by the response of policymakers to a profound lack of investor confidence. But history suggests that it can take a long time for the financial structure to work the consequences of such a sizeable shock out of its system.

The Midland's Hong Kong link

The start of a three-year engagement

By David Lascelles

IS ONE OF Britain's Big Four heading for the first ever overseas takeover of a UK clearing bank? Despite all the carefully worded talk of "co-operation" in yesterday's announcement of the purchase of a 14.9 per cent stake by the Hongkong and Shanghai Bank in the Midland Bank, this must be the big question behind the deal.

Sir Kit McMahon, the eloquent chairman of Midland is adamant that the answer is not an automatic yes. This is an exploratory link-up, he says, and the two banks will try to work more *closely together. But it does not* amount to a trial marriage, and Midland will still hold its destiny in its own hands.

The Hongkong Bank is also keeping quiet about its intentions. Mr Willie Purves, its Scottish-born chairman, has agreed not to buy more Midland shares for three years, but he has made no promises about what happens after that: he could go for something bigger, or sell, or just leave things as they are.

No doubt both men are sincere in their caution: with all the uncertainty in world markets, this is not the moment to rush headlong into a merger even if they wanted to. Midland, in particular, has learnt to be circumspect after its disastrous alliance in 1980 with the Crocker National Bank in the US.And come 1991,both banks should have a much clearer idea of where they want to go.

But there was little doubt in the City's mind yesterday that this £400m investment could be historic. Both Midland and the Hongkong Bank face uncertain futures - though for widely differing reasons - and there is a strong logic behind a close alliance if not outright takeover.

The Hongkong Bank, after all, has made no secret of its ambitions in Europe, which it views as the "third leg" in a strategy encompassing its home market in the Far East, and the US, where it is now the largest foreign bank through its ownership of the New York state-based Marine Midland Bank. It showed its hand in 1981 with its bid for the Royal Bank of Scotland which was blocked by the UK Government.

Since then, Hong Kong's return to Chinese rule in 1997 has inched closer and the pressure on the Hongkong Bank to adjust to an uncertain political future has increased. After Mr Purves raised $1.6bn in new capital last year, the markets were buzzing with speculation that he was about to make his big move.

Much of that speculation centered on Midland because of its vulnerability after the Crocker affair, which left it shrunken and weak. Although the bank has been reinvigorated by Sir Kit, the former deputy governor of the Bank of England, it remains, in his own words "too small to be big , and too big to be small."

To survive, Midland was forced to sell off whole parts of its business and trim others back, almost to the point where it seemed to be heading for the status of a glorified building society, with lots of branches in the UK high streets but little else. But Midland has not lost all its pride: it still wants to be thought of as a bank of international stature.

The alliance with Hongkong Bank will bring it two things: a large amount of new capital to fuel its growth, and access to markets from which it has had to beat undignified retreats (like the US) or where it was never strong (the Far East).

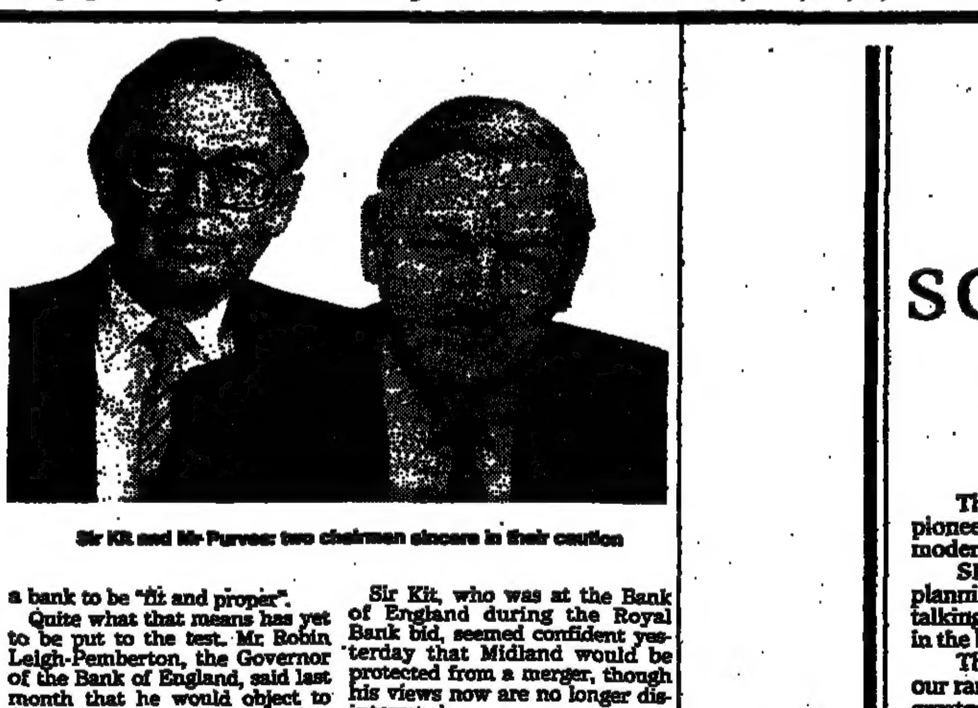
Conversely, the Hongkong Bank will get a better route into the European and UK banking markets. The Hongkong Bank's strength in the equities business (through James Capel, the London stockbroking firm which it owns) will be complemented by Midland's strength in the gilts market, though both banks are primary dealers in the US Treasury bond market.

This alliance seems to have the force on inevitability behind it. The more the two banks co-operate, the harder it will be for them to extricate themselves if they want to go their separate ways for any reason. By 1991, Hongkong Bank's scope for trying something else will have been reduced by a further three years. By the same token, Midland cannot afford to see this deal fail without the depressing prospect of having to go all the way back to square one again. They need each other.

The biggest obstacle in the way of a complete merger may not be the determination of the two banks but British banking law. This requires anyone who owns more than 14.9 per cent of a bank to be "fit and proper".

Quite what that means has yet to be put to the test. Mr Robin Leigh-Pemberton, the Governor of the Bank of England, said last month that he would object to British clearing banks being bought by industrial companies or foreign institutions "whose business aims and national interests lie elsewhere"- the clearing banks are too close to the nerve centre of the economy for that.

But has anything changed since the bid for Royal Bank of Scotland, when the Hongkong Bank was deemed to be too foreign to be acceptable - despite the fact that it operates out of a British colony and is managed by British people? To a degree. Hong Kong banks are much better managed and supervised now, and a merger with Midland would presumably be a friendly affair which would benefit the smallest of the Big Four clearers.



Sir Kit and Mr Purves: two chairmen sincere in their caution

Sir Kit, who was at the Bank of England during the Royal Bank bid, seemed confident yesterday that Midland would be protected from a merger, though his views now are no longer disinterested.

The most intriguing scenario *being discussed is that the Hong*kong Bank might use a merger with the Midland as an escape route from Hong Kong. It could simultaneously establish itself as a UK bank (which would get round any Bank of England problems about nationality) and avoid falling prey to whatever plans China has for it after 1997.

But such Houdini-like tactics are considered most unlikely because they would destroy business confidence in the colony and cause a tremendous diplomatic row with the Chinese. The Bank of England, for its part, describes any discussion about Hongkong Bank's status as "hypothetical."

The deal is rich in irony: a strong bank in a politically weak country is helping out a weak bank in a politically strong one. It also has echoes of the Crocker deal where the perfect match ended in ruins - only this time the Midland is the wooed party rather than the wooer. Yesterday's announcement could be the opening chapter in an eventful story.

Man in the News

Kenneth Clarke

Focus on Number Two

KENNETH CLARKE describes himself as "David Young's representative on earth." As the Commons member of the Department of Trade and Industry's two-strong Cabinet team, he often has to take the public flak for its more controversial decisions.

This week, he spent two days in The Hague isolated from the other 12 members of the European Space Agency in his opposition to plans for manned space projects; then he had a rumbustious Wednesday and Thursday at Westminster, defending his stance in the face of strong criticism from Tory MPs - and also justifying the decision on the merger of British Airways and British Caledonian.

Afterwards, he was relaxed and unrepentant. By temperament and by training, as a barrister, Mr Clarke is a fighter and *does not mind the occasional* punch-up which might bruise some of his colleagues.

On space, he points out that most MPs are not interested - probably thinking that Hermes, the mini space shuttle, is a French scarf - and says criticism comes mainly from the small minority of space buffs.

Similarly, he is unworried by the argument that British opposition to the three big European Space Agency projects is symptomatic of a *negative* and penny-pinching attitude towards the rest of Europe. To Mr Clarke it is just financial common sense. He has described the Hermes project to put a European man in space by 2000 as hugely expensive and grandiose. He says the money could be better used elsewhere - the amount sought being equivalent to the cost of a dozen new hospitals.

He denies that this means that Britain is pulling out of space work. The UK remains a member of the agency, while wanting more emphasis on scientific and commercial factors and greater private sector involvement. The Government would like to see further development of telecommunications and earth observation projects and, on an international basis, of Hotol, the British Aerospace and Rolls-Royce programme for re-usable spacecraft.

Yet, to the critics, more important is Britain's apparent acceptance of isolation. At this week's meeting Mr Clarke said, "if these countries want to frolic in space on their own then that's their affair." He acknowledges that Britain did expect more support for its opposition to Hermes, notably from West Germany. But after a good deal of activity on the Mitterrand-Kohl hotline, the Bonn Cabinet gave last-minute approval - though in a conditional form for three years. With *the Franco-German alliance* in operation, Britain was left on the outside, as so often - despite the Foreign Office's desire for participation.

The irony is that Mr Clarke is far from being a hard-line Thatcherite anti-European. He was a wet when that term still had a meaning and places himself firmly in the Tory tradition of Macmillan and Macleod. Now 47, he was part of the Cambridge/Bow Group generation of the early 1960s, whose mentor was Sir Geoffrey Howe and whose star was Leon Brittan. He describes himself as being on the left of the Conservative Party on issues like race relations, hanging and social policy, but a believer in the free market.

When child benefit was being introduced, more than a decade ago, he unsuccessfully urged that it should be automatically raised in line with inflation - exactly what the Government has just decided against doing. He has always been an enthusiast for closer European links and went further than his own front bench in 1978 in backing direct elections to the European Parliament. Now he is keen on the *European fighter project.*

Moreover, Mr Clarke is probably the only senior minister to have a poster from a Hubert Humphrey campaign on his wall. Its slogan, appropriately, is: "Some talk change, others cause it." Alongside is a picture of Austen Chamberlain, a reminder that Mr Clarke is the only Midlands born and bred member of the Cabinet (educated in Nottingham and representing Rushcliffe since 1970, as well as serving for many years on the Midlands law circuit).

His career in Government shows how the wet-dry distinctions of the early 1980s have broken down. Not only are his views on space nearer to those of the Treasury than the old wets, but he was also the main advocate of the further changes in trade union law in the current employment bill.

These attitudes may partly explain his close and apparently successful *relationship* with Lord Young, first at Employment from September 1983, and at Trade and Industry since the election in June. Mr Clarke claims that both are talkative and activist, and have similar views on the development of the DTI, moving away from its traditional sponsorship role.

At present, Lord Young has broadly the old trade portfolio, plus the Rover group, with Mr Clarke dealing with industry plus the inner cities. They are considering a far-reaching review of the department's organisation, which will be announced next spring.

For all his undoubted ability, Mr Clarke has never enjoyed the reputation of some of his Cabinet contemporaries. He is not a fashionable metropolitan figure - more in the pint of beer than the cocktail set, a keen Nottingham Forest fan and jazz enthusiast.

His very talents as a bouncy debater give a misleading impression that he is not serious or lacks weight in the view of senior Tories. He appears perhaps too easy going.

Mr Clarke has suffered from being a perpetual number two - to his old friend Mr Norman Fowler at transport and health for six years before Lord Young. He did not expect to move over with Lord Young in June. He would like to run his own show in due course, and no doubt will. Even if he is not a leadership contender now, he has time on his side as well as, crucially, stamina and a sense of humour.

Peter Riddell

Antony Thorncroft finds that the sale of Irises has reassured a shaky art world

Van Gogh comes to the rescue

THE STAFF of Sotheby's was whooping with joy in New York on Wednesday night after Van Gogh's Irises was sold for $53.9m (£30.6m). They were not just celebrating the capture of a handsome 10 per cent commission on the hammer price of $49m; or the success of a clever marketing campaign which had involved transporting Irises around the world to tempt possible purchasers in Europe, and especially in Japan.

Their relief was in the knowledge that the massive publicity that would follow from establishing a record price for any work of art sold at auction would reassure the world art market.

The Van Gogh had been sent to Sotheby's by Mr John Whitney Payson, a New England businessman, as a consequence of the £24.75m that Christie's had obtained in London in March from selling a yet more famous image by the Dutch artist, Sunflowers. At that time, and throughout the summer, the demand for top quality impressionist and modern pictures was intense. There were at least half a dozen disappointed bidders after the Sunflowers sale. Between them, they would surely guarantee the success of Irises, a much more colourful and dramatic painting - or so Sotheby's argued.

Then came last month's collapse of the world's stock exchanges. The immediate reaction was encouraging for the auction houses. In the days immediately following the Wall Street slide, Christie's sold a diamond for a record $6.38m and Sotheby's another for $3.85m - but flashy jewels have always been regarded as the perfect alternative investment in troubled times.

A bigger test came with a series of contemporary art sales in New York. This is the sector that has creamed off the cash of the new American rich - or rather that minority of it that prefers art to more immediate luxuries. The market shivered slightly but there were enough big prices in the sales - a de Kooning topped $2m and a Jackson Pollock sold for $1.1m - to suggest that there would be no immediate, confidence shattering slump in auction prices.

Nevertheless, there were definite signs that prices had come off their summer peaks, and the percentage of unsold works at auction was creeping up to 20 per cent or higher. Good things were still finding buyers, usually at the bottom end of the salerooms' estimates. But anything of mediocre quality that was not especially decorative, nor fresh on the market, was sticking.

Mr John Marion, president of Sotheby's North American operations and the auctioneer of Irises, reckons that demand is down by at least 10 per cent across the board. He quietly suggested to sellers at this week's major Impressionist and modern sales that they should reduce their reserves (minimum price).

John Marion, auctioneer of Irises: demand is down by at least 10 per cent

The estimates fixed in the optimistic days of summer were no longer relevant. About Irises, there was less nervousness: its exceptional quality would probably secure a buyer, but perhaps not at a price far above the cautious $20m reserve put on it by *Sotheby's.*

In the event, the week's sales have been dominated by Irises. The price exceeded most informed guesses. But it was no walkover. There were only two serious bidders, both using agents and the telephone.

The identity of the buyer is unlikely to remain a secret for long: there is no point in keeping such a famous picture, and such an important investment, hidden from the world. It is probably *now on its way to Japan,* although Mr Alan Bond, who just failed to buy Sunflowers, might have bought it just to prove that not all Australian billionaires have become paupers in the stock market crash. Mr Stavros Niarchos, the Greek shipowner and Van Gogh collector, is another possible candidate.

Without the Japanese presence, last week in New York would have been a disaster. The auction houses have been saved by *the fall* in the value of the dollar: for the Japanese, with their powerful yen, masterworks are almost cheap. They bought actively at a big Christie's sale on Tuesday - a Renoir for a record $5.28m; a Chagall for $1.54m (a record for this artist); and a Miro for $1.1m, among other paintings. Their taste - for pretty, undemanding, Renoirs, Monets and Chagalls rather than the more austere palette of Cezanne and the post-Impressionists - is dominating the market. Almost singlehandedly, Japanese buyers are underpinning prices.

But they are not quite alone in their steady buying. Some dealers are snapping up what they see as bargains, and Citibank Art Advisory, which encourages wealthy clients to see art as an alternative investment, has been active in the market. It recently paid $440,000 for a Fantin-Latour flower painting, sold by the Philippines government, which had been found under a bed in the Manhattan apartment of former President Ferdinand Marcos.

The evidence is clear: the upper reaches of the market are weathering the storm fairly well; but lower down the scale, demand and prices are well below the summer highs. Christie's failed to sell 25 of the 71 works of art it offered last week; at Sotheby's, it was 25 unsold out of a hundred. Wednesday's Sotheby's sale may have reached a record total for a single auction - $110m - but if the $53.9m for Irises is subtracted, that auction total would barely have reached the saleroom's most pessimistic pre-sale estimate.

Sotheby's, in particular, desperately needs to maintain confidence in the market. On the back of the boom, its president and majority shareholder Mr Alf Taubman (along with a few fellow directors) had decided to sell just under 30 per cent of the shares of the company to the public. The offering was timed for November, to capitalise on anticipated publicity from the sale of Irises. It has been postponed.

To some extent, Sotheby's has brought trouble on its own head by promoting works of art as investment opportunities; it is the inexperienced collector with investment as his main motive who is now holding off. But fortunately for the auction rooms, the art world is still, at base, dominated by serious collectors and well informed dealers.

Whatever the vicissitudes of the market, emotion rather than commerce ultimately determines prices. The big disappointment at Christie's this week was the failure of an important work by the Viennese artist Egon Schiele to find a buyer. It was a dramatic - and rather explicit - painting of two lovers which had been bought as recently as 1984 by Wendell Cherry, president of Humana Inc, the Kentucky-based health care company, for $3.77m. It is always inadvisable to return expensive works of art to the market so rapidly - hence its failure on Tuesday. *But Mr Cherry* was not driven to this extremity by the need to raise cash - his wife could not stand the sight of it. That is the real art market talking.

Equity reward is here to stay

From Mr Laurie Brennan

Sir, There is an understandable tension between the reactions to the market crash of the shareholder and the executive share option holder (to which Mr Peter Brown referred in his letter of November 12), but the pressure *on the Investment Committee* (IPC) of the Association of British Insurers (ABI) to review its guidelines for executive share option schemes, stems from the more deep-seated problem of the growing divergence between the ABI guidelines and the Inland Revenue rules.

When an executive chooses to exercise his 4 times salary option with tax relief after three years, the ABI guidelines prevent him from having his incentive renewed with a new 4 times salary option - unless he changes employer. The Inland Revenue rules permit renewal *in situ.* The only response of the ABI so far to this has been to announce "super options" on the Burton model. However, these will only become exercisable if the company's performance outstrips the EPS growth of the top 25 per cent of the FT-SE companies. This condemns the majority to adjudged failure whatever the share price rise has been.

A further divergence has emerged over share schemes in subsidiary companies. The revised ABI guidelines oppose such schemes. Yet the Inland Revenue, responding to commercial representations, has now published legislation (the result of the Section 79 Review) intended to help share schemes in "independent" subsidiaries.

The permanent need for companies to reward people of ability competitively in the international arena, means that appropriate share schemes will constantly be sought. For example, there may now be a shift from share options into deferred share reward where both the initial share value and any increase (or fall) in value will pass to the executive over a period of time. But as a way for executives to accumulate significant accessible personal wealth from their labours, the equity reward is here to stay, come bulls or bears.

L. Brennan,
30/34 New Bridge Street, EC4

Letters to the Editor

Greedy British institutions

From Mr Alan Denham

Sir, Your publication (November 5) of the comparative prices of gas supplies in various European countries - indicating that British Gas charges are up to 50 per cent higher than elsewhere - is, I fear, but one example of a general tendency of British institutions to charge much more than is considered reasonable in other European countries.

Consider for example the following situation. I occasionally transfer funds from an ordinary current account at a German bank to a similar account in London. The German bank makes a nominal charge for each transfer. This is exactly DM2 - equivalent to about 65p. The receiving bank in London deducts a handling charge of £4 from the sum thus remitted to them. My remittances are usually specified in D-Marks but on one or two occasions I have specified a particular sum in sterling. Even then, the German bank, which in addition to arranging the transfer also has to make a currency exchange, still holds to its usual nominal fee. The British bank however, which is merely the passive recipient of a sum received in sterling, nevertheless credits to its account holder £4 less than the sum received. That is, about six times the service charge made by the German bank which did virtually all the work involved.

More recently, I have discovered that even this seemingly extortionate sum of £4 is modest by British standards. A British professional body of which I am a member has just informed me, in explanation of the necessity to surcharge members who remit their subscriptions in a currency other than sterling, that their bankers always charge them £6 or 5 per cent of the sum remitted (whichever is the higher) as a routine fee for handling credits expressed in foreign currencies.

As you reported in your article on gas prices, it seems that the policy is to get as much as one can from the customers. However, it is by no means the case that only the gas industry has such a policy.

A. B. Denham,
Hoerschelmannstrasse. 25,
3000 Munchen 71,
W. Germany

Radio frequencies

From Mr P. T. Walker

Sir, Though I welcome a response from the BBC concern*ing radio frequencies, I do not* find Mr Shute's letter (November 11) reassuring.

He promises us extended live coverage of Parliament on Radio 4 long wave. I hesitate to predict the enthusiasm with which long wave listeners, particularly in Europe, will greet this proposal. He states that educational programmes currently on Radio 4 VHF will be moved elsewhere. I fear "elsewhere" will end up being Radio 3, which Mr Shute's letter does not mention. This is supposedly dedicated to classical music but now carries substantial amounts of non-musical material on VHF, quite apart from the interminable cricket on medium wave.

If the BBC wishes to move the *educational programmes,* may I suggest moving them to Radio 1 and Radio 2, where the need appears greatest?

P. T. Walker,
2 Ashcroft Rise,
Coulsdon, Surrey

Save the Children

From The Manager of
Corporate Fundraising,
The Save the Children Fund

Sir, May I comment on John Edwards' article (Slightly Off Target, November 7) which seemed less than generous to Target who have just launched its new Global Opportunities Unit Trust in association with Save the Children.

It is true that the annual management charge is 1.5 per cent and that this is high in comparison with most standard unit trusts. However, it is fairer to look at the position of other ethical unit trusts. The well-established Friends Provident Stewardship Unit Trust has an annual management fee of 1.125 *per cent and the recently* launched NM Conscience Fund's annual charge is 1.25 per cent. This compares with the income to Target of 0.9365 per cent, after crediting to us the 0.5625 per cent per annum.

One of the major challenges faced by charities such as Save the Children, which spends the most of its income on development projects in the UK and abroad, is to plan effectively long-term while receiving income in a short-term and sometimes unpredictable manner. We are therefore seeking ways to generate continuing income, and the Target Global Opportunities Unit Trust is one such method. It would be a great pity if Save the Children's income, which I am *sure* John Edwards would wish to support, was jeopardised because potential investors were dissuaded from investing in such trusts even if they were otherwise appropriate to their financial position and requirements.

Theresa Lloyd,
The Save the Children Fund,
Mary Datchelor House,
17 Grove Lane, SE5

Commuter complaints

From Mr G. M. F. Gillon

Sir, A straw poll conducted amongst the tens of thousands of City businessmen arriving at Bank from the Waterloo to City Line would undoubtedly show one of the highest concentrations of Financial Times readers anywhere in the world. I can think, therefore, of no better medium through which to express my views and to seek to stimulate constructive comment from fellow readers; in particular from the Director of Network SouthEast, within whose responsibility lies this vital service to commuters.

The dramatic improvement in the station environment at Waterloo and elsewhere is clear, as is the published intention of Network SouthEast to renew mainline rolling stock as part of their investment policy. However, the life expectation of the Waterloo to City Line, without substantial investment is unclear and, I suspect, short.

The link from Waterloo is vital, of this there can be no doubt. The rolling stock is almost 50 years old and has obvious deficiencies, the tunnels are *subject to flooding,* there are frequent track failures and constant staff shortages.

Any goodwill engendered by aesthetic/real improvements in Network SouthEast, including the new "cross-city" routes to other destinations, rapidly dissipates on the many occasions when the service is inoperable or deficient.

I wonder what Network SouthEast has in mind? I cannot imagine that the recent aesthetic improvements are part of the *preparation for the privatisation* of The Drain. Perhaps this is why so many of the City's decision-makers seem unwilling to comment or are uninterested *in* changing this inevitable part of every business day.

G. M. F. Gillon,
30 Watling Street, EC4

Remember savings ratios

From Mr David Hypher

Sir, Paul Craig Roberts' article (Europe's Dangerous Obsession, November 11) made some excellent points, but by ignoring the savings ratios of the countries referred to and the imbalances caused by the widely differing savings rates, a totally biased picture resulted.

At best the author devalued the worth of the point that the US Budget Deficit per se is not the problem, and at worst it indicated that US economists and observers are blinkered to the real issues - or is this only a manifestation of Paul Craig Roberts' own dangerous obsession?

D. Hypher,
11 Devonshire Square,
London EC2

Truth Betrayed: the shocking contrast provided by exhaustive research

From Mr W. J. West

Sir, In his review of my book Truth Betrayed (October 31) Lord Douglas Jay, after complimentary reference to my exhaustive researches, makes a fierce attack on the substance of the book which he describes as having judgments "little short of absurd", citing passages on Neville Chamberlain, Anthony Eden and the fictional Lord Haw-Haw.

Clearly Lord Jay has been shocked by what he has read and the stark contrast with the views *expressed in his own book,* Change and Fortune. It must have shocked him to discover that Neville Chamberlain, arguably one of the most unjustly maligned of modern British statesmen, was supporting a secret full-scale radio propaganda war against Hitler which went as far as having "Freedom Stations" on the ground in pre-war Nazi Germany. Lord Jay has remarked about Chamberlain's actions at this time that "the full truth has *been recorded in Anthony* Eden's autobiography": it must have shocked him to discover that the truth was actually very different and that Eden caused as much damage before the war as he did later. Newly-released papers and the writings of Richard Lamb and others are now filling out the true picture. Lastly Lord Jay remarks that I have not identified the "real" Lord Haw-Haw, without mentioning that I describe for the first time the *Government's* Orwellian "Anti-Lie Bureau" whose job it was to counteract "Haw-Haw rumours", often true, whilst building up a campaign of ridicule against German radio propaganda based on the fic*tional* newspaper character invented by Jonah Barrington.

In his final sentence Lord Jay remarks that the general reader of Truth Betrayed "would also be wondering which truth was being betrayed and by whom". Surely one of the greatest betrayals of truth is the denial of its existence and evidence to support it; in his review Lord Jay ignores by far the greater part of what I have written and instead repeats his long-established partisan line, despite the wealth of entirely new evidence placed before him.

W J West,
36 Fairpark Road,
Exeter, Devon

Granada goes ahead with ER bid

BY NIKKI TAIT

AFTER FIVE days of shadow-boxing, the £222m bid battle between **Granada**, the TV and leisure group, and **Electronic Rentals**, a rival company in the TV and video rental market which trades under the Visionhire name, is on.

Granada announced yesterday that it was proceeding with its takeover offer - launched on Monday - and waiving the condition which stipulated a recommendation from the Electronic Rentals board. "We believe that the shareholders of Electronic Rentals should be allowed the opportunity of deciding on the merits of the offer for themselves," said the Granada statement, "and in the absence of constructive action from ER have ourselves taken the necessary step to permit this to happen." Granada added that it was encouraged by "the ease which which it was able to reach its 14.99 per cent stake in Electronic Rentals on Monday."

Last night, Granada's finance director, Mr Derek Lewis, said that it had kept electronics group Philips "fully informed" during the week, and had been through the details with the Dutch company. Philips holds a key 22.4 per cent in Electronic Rentals. "We have also had feelers out in the market," he added, "and the response has been very positive."

But Electronic Rentals remained uncowed by Granada's decision, claiming the predator has misjudged the situation from the outset - in particular, ER's "excellent prospects as an independent group, the price required to compensate adequately ER's shareholders for relinquishing these prospects", and Philip's attitude. On Tuesday, the Philip's representative on ER's board, Mr Frans Rulo, gave his whole-hearted support to the bid rejection.

"It's a very neat moment to launch this," said Mr Daivd Hurley, ER's managing director. "But I've been in this business many years, and I've never seen a contested deal work in the TV rental market - you have got to bring the staff with you." The value of the offer to Granada, suggested ER, could only be achieved "by wholesale rationalisation of Visionhire, with a substantial loss of jobs and reduction in competition", and Mr Hurley said he remained "100 per cent" confident about Philips backing.

Alex Bernstein, chairman of Granada

Passenger downturn hits Barton

Barton Transport, East Midlands-based bus operator, revealed sharply reduced taxable profits in the year to September 26. On turnover down from £8.88m to £8.32m, the pre-tax outcome was £227,000 against £874,000 for the comparable period.

The directors said that an increase in passengers, predicted by the Government following the deregulation of bus services, had not materialised. Indeed passenger traffic had fallen due to increased competition from private cars and other means of transport.

Tax took £68,000 (£217,000), but attributable profits were boosted by an extraordinary credit of £511,000 relating to the sale of freehold property. Earnings per deferred share fell to 30.9 against 130.2p last year. The single dividend is 24p (22p).

The directors added that operating and administration costs had been contained. Some of Barton's routes, registed on a commercial basis, operate in rural areas and were not proving viable, particularly at weekends and evenings. Resources would now be concentrated on city and urban services which offer greater returns.

Referring to the bus industry as a whole, they said that profit margins, where they exist, were totally inadequate, especially to finance fleet replacement, and that industry standards would fall.

Parkway makes two purchases as profits treble to £1.3m

BY FIONA THOMPSON

Parkway Group, London-based company which provides a range of pre-production services for advertising agencies, yesterday announced full year pre-tax profits almost trebled and the purchase of two more companies. This brings to six the total number of acquisitions since Parkway joined the Unlisted Securities Market in July.

Pre-tax profits for the year to September 30, 1987 rose from £469,000 to £1.31m on sales of £8.56m (£3.52m). Earnings per share increased from 3p to 7.2p.

It was particularly significant that the results did not include contributions from the six acquisitions, said Mr John McKimmie, chairman and chief executive. The positive impact of these would be reflected in the 1988 figures. "We want to grow both organically and by acquisitions. There are no major players in the marketplace at the moment."

Parkway is to pay a total of £4.2m for its two new purchases, CJ Graphics and Colortec. CJ Graphics supplies graphic art and professional photographic equipment to UK advertising agencies, art studios and design companies. It was set up in 1975 and employs 70 people from three outlets in central London. Pre-tax profits for the year to September 30, 1987 were £38,000 on sales of £5.09m.

Parkway is paying £2.2m for CJ Graphics, via £1m in cash and 635,000 new ordinary Parkway shares. Additional consideration will be payable based on CJ Graphics' profits to September 1990, subject to a maximum total of £3.5m.

Colortec is one of France's largest colour and black and white photographic laboratories. It has 60 employees, services the major Paris advertising agencies, and has made significant investments in electronic page composition systems. For the nine months to September 30, 1987, it reported pre-tax profits of FFr 2.99m (£298,800) on sales of FFr 21.50m (£2.15m).

The £2m cost of Colortec will be paid by £1.7m in cash and the issue of 150,000 new ordinary shares in Parkway.

Cons. Tern to report £4m loss

BY DAVID WALLER

Consolidated Tern Investments, the USM property and construction company which is in the throes of reorganisation under a new management team, has written to its shareholders saying that it will report a £4m trading loss for its last financial year, incurred as a result of making provisions against loss-making construction contracts.

But the new management is also set to proceed with its plans to add a third leg to Tern's business and the company is at an advanced stage of negotiations with two chains of estate agents which it hopes to buy for a mixture of cash and shares worth £13.5m thus more than doubling its size.

Tern, whose shares were suspended on Thursday, has reviewed the portfolio of building contracts inherited from the previous management and has decided to set aside £1.75m by way of provision against expected losses.

When combined with a trading loss of £4m for the year to the end of September, this means that the company's balance sheet at the year end shows a net asset deficiency of £445,000. Under the Companies Act, Tern must explain to shareholders what it intends to do about this and so is holding an extraordinary meeting on December 4.

"The unprofitable contracts, which were entered into before the board reorganisation, arose from poor financial and management controls in the past and from a former policy of achieving turnover at the expense of profit " said Mr James Butterfield, Tern's new chairman, in his letter to shareholders.

The net assets deficiency appears to contradict the documentation accompanying Tern's £3.13m rights issue, held this summer. This contained the estimate that the company would have net assets of £2.24m after the injection of new funds - but Mr Butterfield said the estimates had been prepared by the previous management using unduly optimistic assumptions.

Tern has an irrevocable offer of equity finance from its principal shareholder, Mr Michael Allen, worth more than £500,000. Furthermore, the company thinks that some of the provisions will in time be released to profit.

Hobson profits gather pace with £0.65m

By Clay Harris

Hobson, holding company for two overseas traders, an aluminium fabricator and a fitness club, yesterday reported interim pre-tax profits of £650,000 against a re-stated £275,000. In the actual 1986 period, Hobson lost £120,134 on its only business at the time - a patented aluminium die-making process which it subsequently sold.

It also announced yesterday the acquisition for up to £500,000 of Carawin, a Birmingham-based maker of aluminium-framed windows and doors. This follows the recent purchase of Northwood, a smaller West Midlands aluminium fabricator.

In the six months to September 30, Hobson reported turnover of £7.45m. The comparative figure of £5.11m is restated to reflect the Tower Hill and Bannacount mergers. The company, which came to the USM in 1984, has never paid a dividend.

Carawin reported pre-tax profits of £62,855 for the year to July 31. All but £200,000 of the initial payment of £250,000 will be in cash. Deferred payments of up to £250,000 are linked to results in the 26 months to September 1989.

Bolton Textile further in red at year-end

Bolton Textile Mill Company, manufacturer and distributor of textiles and clothing, failed to show any recovery in trading during the second half and revealed an attributable deficit of £580,000 in the year to end-April. In the previous year, the group had announced net profits of £86,000.

At the pre-tax level losses amounted to £586,000 (£144,000 profits). Turnover fell from £9.87m to £7.77m. After an extraordinary credit of £59,000 (£42,000 debit), the loss per 5p share came out at 6.33p against earnings of 0.94p last time.

At the time of the interim statement in March, Mr I. Goletka, chairman, stated that the group had experienced difficult trading conditions in all divisions, but was taking steps to rectify the position.

Since then Bolton has received planning permission for various office development as well as negotiating marketing and distribution rights in the UK, US and Western Europe for products manufactured by Fischer Pharmaceuticals of Israel.

Significant rise at midterm in Somic's profits

With most departments busy and profitable **Somic**, kraft paper spinner and weaver, reported greatly increased interim pre-tax profits.

On sales up from £1.56m to £1.64m for the six months to the end of September 1987 pre-tax profits were £64,000 against £11,000 last time. The company made a trading profit this time of £31,000 compared with a loss of £19,000. Income from rents was £33,000 (£30,000).

Earnings per share were 2.09p (0.54p) and the interim dividend has been raised to 0.75p (0.5p).

Directors said that the plastic coatings department had been particularly busy.

However the weaving department and Baronet Motor Accessories, which rely on exports, had been affected by the strength of the pound against the dollar. Steps were being taken to improve the situation.

The order book was said to be satisfactory with a recent improvement by Baronet.

Astra Trust losses over £2m

Increased pre-tax losses of £2.11m were yesterday announced by **Astra Trust**, formerly Astra Industrial Group, for the year to April 30 1987. Last time losses amounted to £726,248.

Turnover for the company, which has engineering, metal, leisure and property interests, fell from £5.15m to £4.77m.

The directors said that while the results were disappointing it was felt the time was right to clear the company's balance sheet to realistic levels. The loss on normal trading was £930,755, before exceptional items, amounting to £1.18m (£162,793) which consisted mainly of provisions for obsolete, slow moving stocks, tangible fixed assets written off to a realistic market value, and some rationalisation and closure costs.

The directors are concentrating on building up the financial services operation, which began in April and is trading well. They are seeking to expand this division through organic growth and by acquisition. The availability of resources following the April rights issue made them confident about future growth.

Losses per 5p share amounted to 2.54p (0.92p) for the period.

An extraordinary debit of £283,399 (£41,857) resulted from the sale of the vacant Tipton factory earlier this year.

Whitbread Investment assets expand 48%

Net asset value of **Whitbread Investment Company**, investment trust specialising in brewery concerns, rose 48 per cent to 440p as at end-September, against 297p a year earlier.

Pre-tax revenue for the six month period advanced 9 per cent to £4.56m. After tax of £1.33m (£1.22m), earnings per share came out at 5.12p against 4.71p last time. The interim dividend is raised to 2.8p (2.6p).

The directors stated that in accordance with the trust's policy of investing for long term capital growth, liquid resources had been increasingly utilised for further investment in the brewery sector. This had resulted in a slow down in income growth during the period under review, a trend expected to carry through into the second half.

However, they added that since September 30, the decline in the value of the trust's investments had been considerably less than that of the market generally.

CASE cuts deficit to under £1m at halfway

By Fiona Thompson

CASE Group, the Watford-based digital communications network supplier, yesterday reported reduced pre-tax losses of £958,000 for the half year to September 30, 1987, compared with a deficit of £4.69m for the same period last year.

"Obviously we would have liked to have been back in the black," said Mr Peter Burton, chief executive. "We didn't quite make it but we are moving strongly in the right direction."

The difficulty has been the US division, where a series of deep problems over the 4000 high speed modem range, launched in April 1985, led to the company plunging into losses of £14.73m, from £10.5m profits, for the year to March, 1986.

The turnround had begun by March this year when the company reported full year losses shaved to £5.42m. Mr Burton was cautious yesterday about predicting the timing of CASE's move out of the red, but said: "Our objective is to inch back into the black this year."

Turnover slipped from £46.32m to £43.91m. On a divisional basis, the North American loss was cut from £5.68m to £1.68m, on sales of £11.3m (£13m), while the UK and other territories showed profits slightly down at £7.12m, compared with £8.05m last time, on turnover also down at £32.5m (£33.2m).

Sales and marketing costs dropped to £12.32m from £14.08m. Research and development costs were £5.52m (£5.20m) and the interest charge dropped from £1.67m to £903,000. Tax took £250,000, compared with £1.21m.

Borrowings have dropped substantially during the six months, taking gearing from 49 per cent at the year end to 31 per cent now.

After 2½ years spent solving the problems of the 4000 series - "there were a whole lot of problems in production, it was like peeling an onion", said Mr Burton - CASE reintroduced it two months ago and is confident the product is now right.

● comment

Case itself is somewhat shy of making return-to-profitability predictions these days, having got it embarrassingly wrong on a number of occasions, but City analysts are quietly confident that this full year will see it back in the black, probably with pre-tax profits of between £1m to £2m. Having said that, there are doubts about whether the company can grow as quickly as it needs to. Its core product, the DCX statistical multiplexer, which provides 30 per cent of the group's revenue, has been upgraded, but it is in a fairly mature market. And while Case has made an entry into one of the fastest growing sectors, the T1 multiplexer market - systems which manage a large network of high speed digital telephone lines - its main products will not be available until 1988. The share price was unchanged yesterday.

Ferranti/ISC bid

Ferranti has declared its merger with International Signal and Control unconditional as to acceptances. Shareholders with 78.3 per cent of ISC's equity have accepted Ferranti's share offer.

BOC expands US healthcare side via £34m acquisition

BY MIKE SMITH

BOC, the industrial gases and healthcare company, yesterday signalled its confidence in the recovery of Glasrock, a US subsidiary, by agreeing to the offshoot launching a $59.5m (£33.7m) bid.

Glasrock is buying the home respiratory therapy and home medical equipment business of Baxter Healthcare. The acquisition will add about 60 home healthcare branches to the BOC subsidiary's 240 and take it into four US states where it has previously been unrepresented.

In the two and a half years after Glasrock was bought by BOC in 1983 it made about 30 acquisitions, but the spending spree stopped 18 months ago to allow integration.

Last year Glasrock made losses, mainly because of substantial investment in management and software systems. But Mr Richard Giordano, BOC chairman, said Glasrock will be back in profit this year.

The market approved of the deal yesterday. BOC shares had already been rising in price after the company announced on Thursday that 1987 pre-tax profits were £263.2m and that this year's profits would not be materially affected by the fall of the dollar because of hedging arrangements.

Yesterday's announcement prompted a further rise and the shares ended at 366p, 11p up on the day and 33p on the week.

BOC said the acquisition would immediately benefit earnings per share. There was virtually no geographical overlap between the two companies' existing branches and a tidying-up operation was not necessary.

Following the re-organisation of the last 18 months, Glasrock has emerged with four regional operations and a streamlined management and software system. Mr Giordano said the improvements would lead to substantial demanning and the framework was now in place for bolt-on acquisitions.

Glasrock already has a link with Baxter, through Caremark, a home intravenous therapy company also owned by Baxter. The two companies, recently agreed to offer services jointly. "The relationship is important," said Mr Desmond O'Connell, BOC managing director. "Many of our customers have a broad range of inter-related medical needs than can only be served by more than one home care company."

Baxter said although its respiratory therapy business was excellent it was concentrating on areas where it had market leadership. "It's a much better fit for Glasrock, which is a leader in the home respiratory therapy market."

Bass alters Holiday terms

BY CLAY HARRIS

Bass, brewing and leisure group, has renegotiated the terms of a $100m debenture issue convertible into shares of Holiday Corporation, US hotel operator, from which it is buying 178 Holiday Inns for $475m (£270m).

The changes reflect the fall in Holiday's share price during the recent market crash. As a result, Bass may end up holding as much as 9.9 per cent of Holiday shares.

Instead of the original conversion price of $38, the price will now be set between $30 and $38 based on trading ranges over specified periods early next year. If the Holiday share price falls below that range, the US company can repay the debenture immediately; if the price is above, Bass can require immediate repayment.

Holiday shares closed at $21 on Thursday, one-third below the level when the Bass deal was announced in mid-September.

The 10-year debenture is also conditional on the transaction receiving approval from gaming authorities in New Jersey, where Holiday operates casinos. If this is not forthcoming, the debenture will be repaid immediately.

Holiday will also repay any portion of the debenture necessary to keep Bass's stake below 10 per cent, a level at which additional regulatory approval would be necessary. The 7.5 per cent coupon and other terms of the debenture remain unchanged.

Wm. Cook profits fall sharply

BY MIKE SMITH

William Cook, Britain's largest steel foundries group, yesterday unveiled half-year figures which its chairman described as appalling.

However Mr Andrew Cook said the group's performance was improving. In recent months volumes had grown, prices had increased, and better management had been put in place. All subsidiaries were making profits.

In the six months to October 3, Cook's pre-tax profits fell from £803,000 to £132,000, even though turnover rose more than threefold from £5.96m to £20m as a result of the acquisition of Weir Group's steel foundries.

Earnings per share dived from 9.41p to 1.2p and the dividend was pegged at 2.25p.

The downturn represents a marked contrast to the strong growth which Mr Cook predicted following the Weir acquisitions a year ago.

Yestreday he admitted that lack of experienced management had been behind the problems. Both he and Mr Kevin Musgrove, finance director, had had to spend more time than they expected on the Weir businesses and, at first, the original Cook businesses had been badly dislocated.

New managements had now been appointed at William Cook and at Catton, two companies where selling prices had been depressed and and margins tight. These were proving effective.

Volume was sufficient to maintain throughput and the group was maintaining its market shares. Low margins, however, continued to affect trading performance.

Mr Cook said that competitive markets should remain in the second half but group performance should improve.

The balance sheet will benefit from an extraordinary credit of £88,000 arising from the sale of an investment. Tax was nil, against £281,000 last year.

Unusual reponses to rights problems

BY PHILIP COGGAN AND NIKKI TAIT

THE STOCK market crash has meant that companies have been forced to adopt unusual responses to cope with rights issues that were announced before Black Monday.

Lanca, the handbag manufacturer, thought it was onto a winner when it announced a rights issue to acquire Frankel & Roth, which sells "character merchandise" starring My Little Pony - but the stock market crash meant that the offer was riding for a fall.

Only 28.7 per cent of the one-for-three issue was taken up - a "very disappointing response" according to the directors who blame it on stock market conditions. The rights shares were on offer at 70p each, compared with Lanca's current market price of 48p.

The directors have decided that it is not in the long-term interests of shareholders to take up their rights - and those who did will be allowed to withdraw if they wish to do. However, Mr Eric Binns, the chairman of Taskhead, the company which bought into Lanca earlier this year and the vendors of Frankl will be taking up their rights.

A.C.Holdings, which last week took the unusual step of advising shareholders not to take up its £10m deep discount rights issue, announced yesterday that acceptances had been received in respect of just 3,400 shares - 0.17 per cent - when it closed on Thursday afternoon. The former car company, now expanding into financial services, had planned to issue 2m new shares at £5 a piece, and at the time of the announcement AC shares were trading at £11.05. Yesterday, they recovered sharply, closing 75p higher at £5 - ironically, in line with the abortive rights price.

The cash call - as is usual with deep discount issues - was not underwritten and so shares not taken up will not be allotted (and A. C. Holdings will not receive the bulk of its £10m). Last week, the company stressed that the current stockmarket climate was scarcely conducive to the planned expansion of its stockbroking arm into institutional business.

Narborough Plants

Narborough Plantations, Malaysia-based rubber and oil palm products producer, achieved a 48 per cent improvement in pre-tax profits to £176,000 in the year to June 30 1987, against a previous £119,000. Turnover increased from £271,000 to £358,000.

The directors are recommending an unchanged final dividend of 1p gross to maintain the total for the year at 1.5p. Earnings per 10p share rose 0.2p to 0.68p after higher tax of £83,000 (£53,000).

Aberfoyle dividend return delayed

ON TURNOVER which slipped back from £3.58m to £3.44m, **Aberfoyle Holdings** increased its pre-tax profit from £754,000 to £898,000 in the six months to June 30. Profits last year included £620,000 arising from the acquisition of Electra Investments (Zimbabwe).

The directors said that discussions with the Zimbabwe government to resolve the company's remittance status had been protracted. A satisfactory outcome was anticipated, but the timing remained uncertain. Consequently the interim dividend forecast in the last annual report and accounts would be further delayed until the situation was fully resolved.

After a difficult first half for the industrial and agricultural companies, there had been some improvement in the Zimbabwean economy, although this could be seriously affected if there was another year of drought.

The strength of sterling recently had resulted in a reduction of the sterling value of the Zimbabwe dollar - currently about Z$2.92 to £. Subject to these factors, the directors said, the outlook remained satisfactory.

The performance of the manufacturing subsidiaries in Zimbabwe had been generally satisfactory with the exception of Associated Textiles whose operations were handicapped by harsh reductions in foreign exchange allocations imposed by the government. Income from the investment portfolio had been maintained at generally buoyant levels and had served to offset the disappointing results from Associated Textiles.

Net interest payable in the period fell by £107,000 to £31,000 and related companies losses were little changed at £3,000 (£4,000). Tax took £70,000 (£42,000) and minority interests amounted to £318,000 (£252,000). There was an extraordinary loss of £9,000 (nil).

Earnings per share were 1.22p, on increased capital, compared with 1.32p.

Benlox shunned by Storehouse holders

BY NIKKI TAIT

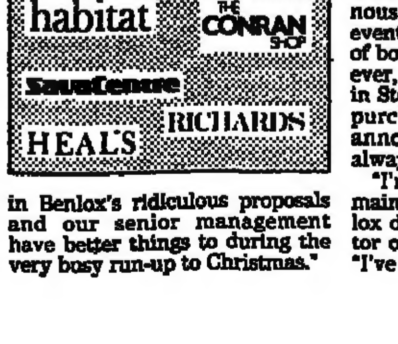
Benlox, the small civil engineering and investment dealing group which is currently waging a "demerger" bid battle for retail giant **Storehouse**, yesterday announced that it controlled just 0.55 per cent of its target's shares by the first closing date and is extending its bid to December 3.

Acceptances in respect of a further 0.24 per cent of Storehouse have also been received from parties deemed to be in concert with Benlox, but are not been included because of delays in receiving share certificates.

Among the parties deemed to be in concert, Benlox itself has already declared that it owns 1.25m shares (0.31 per cent of Storehouse), Benlox chairman, Mr Andrew Millar and his children's settlement, 1.05m (0.25 per cent), Bolton House Investments, 350,000 (0.85 per cent), and Dr Ashraf Marwan, the Egyptian financier, 800,000 (0.2 per cent).

The low level of acceptances was immediately attacked by Storehouse chairman Sir Terence Conran as "pathetic".

"I find it extraordinary that Benlox has decided to persist," added his statement. "Our shareholders are clearly not interested in Benlox's ridiculous proposals and our senior management have better things to during the very busy run-up to Christmas."



Benlox, however, attributed the low response to "the Mountleigh factor." Mountleigh, an aggressive property company considered bidding for Storehouse during the summer but eventually backed off in the face of board opposition. It does, however, still hold a 3 per cent stake in Storehouse - including a small purchase made since Benlox announced its bid - and has always kept future options open.

"I'm not remotely depressed," maintained Mr Peter Earl, a Benlox director and managing director of its advisors, Ifincorp Earl. "I've no doubt we'll win".

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Barton Transport ....fin	24	-	22	24	22
Cook (William) .....int	2.25†	-	2.25	-	5
Narborough ....fin	1	-	1	1.5	1.5
N.Atlantic Secs ....fin	2.55	Dec 31	2.4	3.55	3.4
Parkway Group§ ..fin	0.35	-	-	0.35	-
Somic ....int	0.75	-	0.5	-	2
Whitbread Inv ....int	2.8	Jan 8	2.6	-	8.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$41	F.P.	-	96	61	♦Amer.Plast.Inc. $0.01	68	+2	R025c	4.6	2.3	9.1
775	F.P.	6/11	200	160	Apple Leasing 10p	175		L2.5	4.2	2.0	12.7
-	F.P.	23/10	27	16	Atlantic Assets Wrrnts.	14		-	-	-	-
§105	F.P.	6/11	160	73	♦Bowater Homes 10p	81		R2.6	2.9	4.4	9.6
330	120	-	88	75	British Petroleum	78½	-½	R12.5	1.5	3.9	14.4
70.3	F.P.	-	73	64	CDFC Trust 10p	66		-	-	-	-
§18	F.P.	26/11	27	18	♦Chartsearch 1p	23		R0.44	3.0	2.5	18.0
100	F.P.		122	103	♦Co. of Designers 5p	108		R3.0	2.2	3.8	13.1
10	F.P.	11/12	14¼	5	EFM Dragon Trust 5p	7½					
†	F.P.	-	268	238	English & Caledonian Inv.	238		-	-	-	-
[illegible]	F.P.	30/10	30	16½	♦Explorer 5p	25	-3	-	-	-	-
[illegible]	F.P.	9/12	82	74½	♦Fairway (London)5p	80	+2	R2.5	1.8	4.2	14.3
-	F.P.	-	67	28	First Spanish I.T. Wrrnts.	32	+2				
-	F.P.	-	104	70	Haden MacLellan 20p	90	+9	1.9	1.5	2.9	-
‡	F.P.	-	152	100	Hard Rock Intl. 2p	152	+9	L1.53	3.3	1.4	27.1
†	F.P.	-	125	100	Do 'A' (Restricted Vtg)2p	118	-2	L1.53	3.3	1.8	21.0
-	F.P.	23/10	23	12	Independent Inv. Wrrnts.	14	+1				
[illegible]	F.P.	-	140	82	ISA Intl. 5p	96	-2	R1.17	4.0	1.6	20.8
§65	F.P.	-	82	43	*Kenty (P.E.)5p	45	-5	-	-	-	8.1
§170	F.P.	20/11	191	135	Lloyd Thompson 5p	135		L4.3	2.1	4.2	15.5
§115	F.P.	-	128	66	♦[illegible] 5p	66	-4	L2.3	2.1	4.6	14.4
257	F.P.	-	98	55	Moorgate Inv. Wrrnts.	62	+2				
§100	F.P.	-	108	101	New Guernsey Securities	101		-	-	-	-
$10.50	F.P.	-	$21¼	97	Portugal Fund $0.01	99¼	+¼	-	-	-	-
§110	F.P.	20/11	112	72	Power Corp.Ir.$0.01	73	+1	Q56.9	2.5	4.8	9.2
§95	F.P.	-	90	68	Record Hldgs 5p	71	+3	R2.0	3.2	3.8	11.2
130	F.P.	20/11	253	155	Security Archives 20p	163		R4.0	2.0	3.4	20.0
§100	F.P.	-	180	100	Shaftesbury £1	120	+2	-	-	-	-
250	F.P.	12/12	317	144	♦Stanhope Props.	158	-5	-	-	-	-
§114	F.P.	-	121	115	♦Sykes-Pickavant 10p	118	-3	R5.25	2.0	6.1	11.1
§20	F.P.	21/12	26	20	♦Tinsley Exhibitions	23	+2				
§87	F.P.	9/11	96	68	♦URS Intl.$0.01	68		R4.75	1.9	3.8	13.6
§60	F.P.	-	93	73	♦WSP Hldgs.5p	73		R1.5	3.0	3.9	17.9
†	F.P.	25/11	30	16	Wilshaw Securities	25xr		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
£	F.P.	-	75p	70p	*[illegible] 5¾pc Cnv.Cu.Red.Pf 2006	70p	
100	F.P.	20/11	105½	81½	Allied Lon. Props. 5¾pc Cnv. Red. Pf.	83p	+1
100	£30	21/1	14	13¼	[illegible] Wtr. Wks. 11¾pc Red.Db 96/2000	13½p	
100p	F.P.	-	87p	62p	Helical Bar 5¾pc Cnv.Cum.Red.Pf.2012	65p	
$100	F.P.	-	129½	89½	Morrison (Wm.) 5¼pc Cnv.Red.Pf.	92½	
-	F.P.	-	101½	97½	N'wide Anglia 10½pc 12.9.88	101	-⅛
-	F.P.	-	101¼	99¼	Do. 10½pc 26.9.88	100½	-⅛
-	F.P.	-	101¼	100¼	Do. 10¾pc 31.10.88	100½	-⅛
£	F.P.	-	109½	99½	Next 5¾pc Cnv. 2005	101¾	
100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
$100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

APPOINTMENTS

Chairman of new TSB private bank

Mr W. Trevor Robinson has been appointed non-executive chairman of TSB PRIVATE BANK INTERNATIONAL, TSB's new Luxembourg-based private bank, due to open in January. A main board director of TSB England & Wales, Mr Robinson was formerly executive vice president of Manufacturers Hanover Trust responsible for its operations in the UK and Europe. **Mr Charles Love**, general manager (financial services) of TSB England & Wales, and **Mr George Thain**, managing director-designate of TSB Channel Islands, have been appointed directors of TSB Private Bank International.

★

ANSWERCALL has appointed **Mr Chris Parsons** as managing director, and assigned chief executive **Ms Trisha Silvester** to the board as commercial director. Mr Parsons also takes the responsibilities of the departing finance director **Mr Keith Beeson**. Mr Parsons was managing director of Brengreen (Holdings).

★

HAMPTON & SONS has appointed **Mr David S. Davies** and **Mr Godfrey Blott**, both of Hampton's Hong Kong associates, First Pacific Davies Properties, as non-executive directors of the town group board. Mr Davies and Mr Blott are directors of the Bond Corporation. **Mr Hamilton Verschoyle**, chairman and managing director of Hampton & Sons, and **Mr Peregrine Bousfield**, director of the town houses department, have joined the board of First Pacific Davies Properties in Hong Kong.

★

Mr Graham White, managing director of Londis, has been appointed a non-executive director of N.I.S.A.

★

QUARTO PUBLISHING, wholly-owned subsidiary of Quarto group Inc., has appointed **Mr Christopher Collier** as publishing director from November 30. He was editor-in-chief at Book Club Associates.

★

MERCURY FUND MANAGERS (MFM), part of the Mercury Asset Management Group, has appointed **Mr James Dawnay** as chairman. He was deputy chairman, and replaces **Mr Richard Bernays**, who remains a director of MFM and has been appointed chairman of the newly-formed Mercury Asset Management Group Services.

★

Mr John Arbuckle has been appointed a divisional director of TILBURY CONSTRUCTION, responsible for its northern division at Warrington, Cheshire.

★

Mr Brian McPhee has been appointed a director of MALCOLM MCINTYRE & PARTNERS. He was marketing manager of Cellnet.

★

Mr R.P. Hill has joined the board of ELSWICK as financial director. He was group financial controller. **Mr J.L. Turner**, deputy chairman of Elswick and chairman of its subsidiary, Falcon Cycles, will retire on December 31, and become a consultant.

★

Mr James Kennedy has been appointed managing director of SWANSEA CORK FERRIES. He was commercial manager and European sales manager of the ferries division of Sealink UK. Prior to Mr Kennedy's appointment **Mr Sean Geary**, marketing manager of Cork Harbour Commissioners was seconded to Swansea Cork Ferries as acting managing director.

Midland Bank senior post

MIDLAND BANK has appointed **Mr Andrew B. Stephens** as regional director, home counties. He succeeds **Mr Sam Torrens**, who has held the post for 18 months and is now returning to Northern Bank. Mr Stephens was appointed head of UK operations in 1986 to help manage the restructuring of Midland's UK banking sector.

★

WEIR GROUP MANAGEMENT SYSTEMS has appointed **Mr Jim Thompson** to the new post of finance director. He was company treasurer with Weir Pumps. **Mr Russell Gordon**, systems manager, also joins the board.

★

Mr Geoffrey Marshall, managing director of Bally group (UK), has joined the board of PAPER SHOPS, part of Eastern Counties Newspapers Group.

ECONOMIC DIARY

TODAY: Communist Party conference opens, (until November 17), London. The Lord Mayor's Show, London.

TOMORROW: National Savings monthly progress report for October. Arab Federation of Stock Exchanges meets on Cairo (until November 17). **MONDAY:** CBI/FT survey of distributive trades for October. October provisional figures of retail sales. Financial Times two-day conference on world electricity opens, Hotel Inter-Continental, London. A review of the issues and a debate on short-termism, jointly sponsored by the Strategic Planning Society, the National Economic Development Office, and the Society of Investment Analysts, at 15 Belgrave Square, London. Mrs Margaret Thatcher, the Prime Minister, speaks at the Lord Mayor's Banquet. African economic experts meet (until November 18) to prepare for economic summit, Addis Ababa. International Labour Organisation governing body week-long meeting opens, Geneva. European Community Economic and Finance Ministers meet in Brussels to discuss the economic and monetary prospects of the Community and measures leading to the abolition of trade barriers by 1992, including proposals for abolishing fiscal frontiers. EC Agriculture Ministers start two-day meeting in Brussels to discuss ways of making CAP more responsive to market conditions and to cut surplus production. European Parliament week-long session opens in Strasbourg, centre piece of a crowded agenda will be a debate on the future financing of the Community. Eurotunnel share offer launched in London and Paris.

TUESDAY: Public sector borrowing requirement for October. Building societies monthly figures for October. President of Italy arrives in London for visit (until November 20). Ariane rocket launch scheduled, Kourou, French Guyana. British Production & Inventory Control Society's conference on preparing for the 1990s opens at Blackpool, speakers include Mr Brian Wolfson, president, British Institute of Management (until November 22).

WEDNESDAY: Third quarter preliminary figures of gross domestic products (output-based). EC economic and social committee starts two-day meeting in Brussels. The Royal Institute of International Affairs/American Chamber of Commerce (UK) conference at Chatham House, London, on strategic export controls - military security, corporate self-interest and commercial policy - can conflicting goals be reconciled?

THURSDAY: 1987 New Earnings Survey, Report Part D: Analysis by occupations, published by Department of Employment. Third quarter provisional figures of manufacturers' and distributors' stocks; and of capital expenditure by the manufacturing and service industries. October cyclical indicators for the UK economy. London and Scottish banks' monthly statement for October. Provisional estimates of monetary aggregates for October. 1931 Bugatti Royale to be auctioned at Royal Albert Hall. Mr Li Xiannian, President of the People's Republic of China, starts visit to Brussels, (until November 21).

FRIDAY: Deadline set by Gramm-Rudman Act for mandatory US budget cuts if President and Congress fail to agree on a package.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Nov 13 1987: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thu Nov 12 Index No.	Wed Nov 11 Index No.	Tue Nov 10 Index No.	Year ago (approx) Index No.	1987 High	1987 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (213)	669.49	-0.3	10.56	4.24	11.90	19.10	672.29	644.06	618.07	681.81	1038.07 16/7	618.07 10/11	1038.07 16/7/87	58.71 13/12/74
2	Building Materials (30)	884.50	-0.7	10.50	4.16	11.87	22.91	891.17	854.52	805.67	834.19	1381.08 16/7	805.67 10/11	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (33)	1226.23	+0.8	10.17	4.06	13.14	31.12	1217.87	1171.77	1115.39	1160.13	1951.50 16/7	1115.39 10/11	1951.50 16/7/87	71.48 2/12/74
4	Electricals (14)	1777.26	+0.6	10.37	4.91	12.55	62.76	1767.28	1705.49	1661.76	1756.26	2733.45 20/7	1661.76 10/11	2733.45 20/7/87	84.71 25/6/62
5	Electronics (33)	1472.41	-0.2	11.13	3.43	11.78	35.99	1475.48	1434.59	1432.09	1496.64	2236.70 17/7	1432.09 10/11	2236.70 17/7/87	1229.01 8/10/85
6	Mechanical Engineering (60)	327.48	+0.1	11.30	4.94	11.12	11.28	327.19	313.04	296.26	374.41	544.57 14/10	296.26 10/11	544.57 14/10/87	45.43 5/1/75
8	Metals and Metal Forming (7)	378.82	+0.1	10.40	4.36	11.71	11.55	378.50	365.97	350.02	341.72	596.67 9/10	348.64 9/11	596.67 9/10/87	49.65 6/1/75
9	Motors (14)	246.36	-0.4	12.34	4.70	9.41	7.31	247.45	236.19	224.05	259.30	411.42 13/10	223.31 9/11	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (22)	1168.22	-0.9	8.90	4.44	13.36	37.16	1178.73	1111.09	1051.78	1237.38	1736.80 22/9	1051.78 10/11	1736.80 22/9/87	277.55 15/1/81
21	CONSUMER GROUP (183)	985.82	-0.9	8.51	3.60	14.92	21.28	993.88	960.50	920.80	998.16	1406.32 16/7	919.77 9/11	1406.32 16/7/87	61.41 13/12/74
22	Brewers and Distillers (21)	911.76	-1.2	11.02	4.07	11.46	17.53	922.66	899.09	878.41	970.51	1269.35 16/7	877.37 9/11	1269.35 16/7/87	69.47 13/12/74
25	Food Manufacturing (23)	784.38	-0.4	9.45	3.98	13.67	17.48	787.60	762.50	733.48	719.72	1092.25 16/7	726.65 9/11	1092.25 16/7/87	59.67 11/12/74
26	Food Retailing (17)	2000.15	—	7.45	2.98	17.87	40.31	1999.87	1935.16	1848.05	1866.71	2649.96 16/7	1848.05 10/11	2649.96 16/7/87	54.25 11/12/74
27	Health and Household Products (10)	1748.97	-1.1	6.54	2.54	17.66	27.95	1768.41	1668.57	1590.82	1503.02	2699.85 16/7	1590.82 10/11	2699.85 16/7/87	175.38 28/5/80
29	Leisure (30)	1033.45	+0.2	7.82	4.41	15.98	28.40	1030.93	998.49	949.66	961.68	1504.79 13/10	943.07 9/11	1504.79 13/10/87	54.83 9/1/75
31	Packaging & Paper (16)	459.14	-0.4	9.08	3.93	14.51	11.22	460.91	439.14	427.56	477.55	739.48 16/7	427.56 10/11	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (15)	3137.97	-1.0	6.94	4.65	18.20	95.15	3170.49	2992.42	2849.39	2601.80	5070.66 5/10	2713.49 2/1	5070.66 5/10/87	55.08 6/1/75
34	Stores (35)	839.20	-1.6	8.71	3.53	15.47	18.97	852.89	841.22	807.05	859.58	1160.58 29/7	796.20 9/11	1160.58 29/7/87	52.63 6/1/75
35	Textiles (16)	564.82	-2.3	11.14	4.08	10.38	15.15	577.89	558.58	519.92	543.86	914.52 2/10	519.92 10/11	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (87)	821.68	-1.2	10.60	4.33	11.74	20.88	831.68	795.95	759.10	794.06	1192.48 8/10	759.10 10/11	1192.48 8/10/87	58.63 6/1/75
41	Agencies (17)	968.55	-1.2	6.45	2.34	20.35	16.91	980.12	941.21	876.89	0.0	1795.57 17/7	876.89 10/11	1795.57 17/7/87	876.89 10/11/87
42	Chemicals (21)	996.58	-1.3	10.01	4.68	12.20	33.18	1010.22	976.82	920.61	980.42	1545.46 5/10	920.61 10/11	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (13)	1080.70	-1.4	9.51	4.33	12.03	22.33	1096.13	1036.36	975.19	0.0	1547.81 8/10	975.19 10/11	1547.81 8/10/87	975.19 10/11/87
45	Shipping and Transport (11)	1650.81	-0.7	10.32	4.99	12.71	51.44	1661.74	1618.84	1543.55	1574.13	2497.85 16/7	1535.32 9/11	2497.85 16/7/87	90.80 29/6/62
47	Telephone Networks (2)	896.19	-0.5	11.31	4.51	11.79	18.98	900.40	857.74	847.13	785.65	1274.14 9/6	821.00 9/11	1274.14 9/6/87	517.92 30/11/84
48	Miscellaneous (23)	1139.43	-2.3	13.18	4.16	9.05	33.20	1166.32	1113.84	1039.40	1125.66	1773.70 5/10	1039.40 10/11	1773.70 5/10/87	60.39 6/1/75
49	INDUSTRIAL GROUP (483)	866.45	-0.8	9.59	3.96	13.12	21.08	873.65	840.55	804.87	843.20	1268.86 16/7	804.87 10/11	1268.86 16/7/87	59.01 13/12/74
51	Oil & Gas (17)	1584.68	-2.8	10.49	6.21	11.76	65.74	1629.80	1583.69	1545.18	1442.35	2458.68 16/7	1505.69 5/1	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (500)	927.30	-1.1	9.72	4.29	12.91	24.93	937.74	903.55	867.65	893.50	1369.88 16/7	867.65 10/11	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (120)	607.70	-1.0	—	5.13	—	20.62	613.95	591.80	565.33	605.43	896.67 13/10	565.33 10/11	896.67 13/10/87	55.88 13/12/74
62	Banks (8)	628.45	+0.1	21.23	6.19	6.23	25.98	627.95	615.22	588.95	657.98	898.38 16/7	577.39 4/11	898.38 16/7/87	62.44 12/12/74
65	Insurance (Life) (8)	902.03	-2.2	—	5.10	—	32.56	922.16	867.63	838.54	843.47	1285.72 9/10	821.55 9/11	1285.72 9/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	477.52	-3.1	—	5.77	—	18.69	492.85	483.96	454.26	458.05	707.58 13/10	453.21 9/11	707.58 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (8)	781.93	-1.2	14.20	7.32	9.01	38.19	791.10	772.64	720.95	1253.95	1399.56 17/7	709.92 9/11	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (11)	326.04	-0.5	—	4.32	—	8.69	327.73	320.12	312.09	352.94	547.59 12/10	312.09 10/11	547.59 12/10/87	31.21 7/1/75
69	Property (49)	901.25	-0.3	5.39	3.32	23.89	16.77	904.20	858.16	826.87	794.15	1374.86 16/7	805.82 5/1	1374.86 16/7/87	56.01 20/4/65
70	Other Financial (29)	377.36	-1.2	9.57	4.28	13.22	11.27	381.76	357.35	341.44	355.98	603.48 16/7	341.44 10/11	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (88)	778.23	-0.1	—	3.20	—	15.94	778.72	753.20	726.15	835.15	1224.41 2/10	726.15 10/11	1224.41 2/10/87	71.12 13/12/74
81	Mining Finance (2)	385.91	-1.4	11.78	4.42	9.56	12.77	391.40	352.66	336.91	343.56	727.93 3/8	336.91 10/11	727.93 3/8/87	66.31 30/9/74
91	Overseas Traders (10)	866.03	-0.6	10.56	5.63	11.10	36.40	871.26	835.54	806.88	782.28	1364.12 13/10	778.26 2/1	1364.12 13/10/87	97.37 6/1/75
99	ALL-SHARE INDEX (720)	840.33	-1.1	—	4.39	—	23.48	849.35	817.83	784.81	816.06	1238.57 16/7	784.81 10/11	1238.57 16/7/87	61.92 13/12/74
		Index No.	Day's Change	Day's High	Day's Low	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Year ago				
	FT-SE 100 SHARE INDEX ‡	1678.3	-24.2	1702.4	1660.3	1702.5	1639.3	1573.5	1565.2	1620.8	1644.3	2443.4 16/7	1565.2 9/11	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Nov 13	Day's change %	Thu Nov 12	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.08	-0.03	124.12	-	10.03
2	5-15 years	142.40	-0.47	143.06	-	12.14
3	Over 15 years	150.14	-0.84	151.41	-	12.41
4	Irredeemables	167.85	-0.84	169.26	-	13.35
5	All stocks	138.58	-0.41	139.15	-	11.56
	Index-Linked					
6	5 years	124.58	-0.09	124.69	-	2.18
7	Over 5 years	114.62	-0.20	114.84	-	2.89
8	All stocks	115.27	-0.19	115.49	-	2.82
9	Debentures & Loans	120.15	-0.25	120.45	-	9.94
10	Preference	84.33	+0.17	84.19	-	5.74

	AVERAGE GROSS REDEMPTION YIELDS		Fri Nov 13	Thu Nov 12	Year ago (approx.)	1987 High	1987 Low
	British Government						
1	Low	5 years	8.39	8.32	9.95	9.92 19/10	7.52 11/5
2	Coupons	15 years	9.16	9.03	10.63	10.27 19/10	8.53 8/5
3		25 years	9.05	8.95	10.64	10.08 2/1	8.55 8/5
4	Medium	5 years	9.05	8.99	11.39	10.80 2/1	8.39 8/5
5	Coupons	15 years	9.33	9.22	10.98	10.51 19/10	8.74 8/5
6		25 years	9.25	9.15	10.57	10.24 19/10	8.75 8/5
7	High	5 years	9.09	9.04	11.47	10.84 2/1	8.58 8/5
8	Coupons	15 years	9.44	9.34	11.15	10.67 19/10	8.86 8/5
9		25 years	9.26	9.16	10.63	10.31 19/10	8.72 8/5
10	Irredeemables†		8.84	8.76	10.36	10.30 19/10	8.41 9/11
	Index-Linked						
11	Inflation rate 5%	5yrs.	2.56	2.51	3.92	4.03 19/10	2.03 20/5
12	Inflation rate 5%	Over 5 yrs.	3.98	3.96	3.89	4.63 19/10	3.30 6/4
13	Inflation rate 10%	5 yrs.	2.78	2.72	2.39	4.14 19/10	0.85 24/3
14	Inflation rate 10%	Over 5 yrs.	4.03	4.01	3.72	4.65 19/10	3.17 27/3
15	Debs &	5 years	10.56	10.53	11.68	11.86 20/10	9.46 12/6
16	Loans	15 years	10.54	10.51	11.68	11.67 20/10	9.79 23/3
17		25 years	10.54	10.51	11.68	11.49 20/10	9.84 23/3
18	Preference†		10.76	10.78	11.52	11.83 2/1	10.05 22/6

‡Opening index 1687.2; 10 am 1688.8; 11 am 1685.0; Noon 1663.0; 1 pm 1660.3; 2 pm 1676.3; 3 pm 1677.9; 3.30 pm 1674.0; 4 pm 1678.0

CONSTITUENT CHANGES: Aberdeen Construction (3) has been deleted and replaced by Raine Industries (3).

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p

INTERNATIONAL COMPANIES & FINANCE

Holmes a Court to raise cash with property sales

BY CHRIS SHERWELL IN SYDNEY

MR ROBERT Holmes a Court, the Australian entrepreneur hit hardest by the worldwide share market collapse, yesterday announced his first corporate move to raise cash to meet his debt obligations.

In a brief statement to the Perth stock exchange, Bell Group, his principal public company, announced the disposal of "some of its surplus investment properties" in the city's central business district.

The total consideration was put at A$206m (US$140m), and the company said this would result in a profit of A$47m. No details were given of the properties involved or the terms of the transaction.

The Australian market has eagerly awaited a clear response from Mr Holmes a Court as the plummeting share price of his companies has resulted in a near-suffocating financial squeeze.

At mid-week both Bell Group, in which he holds about 45 per cent through his family company, and Bell Resources, in which Bell Group holds 42 per cent, had dropped more than 85 per cent from their peaks. The recovery of the past two days has lifted them from the trough.

Investors dumped the shares as the market collapsed because income from share investments was seen as critical to the *well-being of the Bell empire and* to Mr Holmes a Court's ability to meet his debt obligations.

Broking analysts put the overall debt of Bell Group at A$2.3bn and of Bell Resources at A$3.6bn. Annual interest payments amount to several hundred million dollars.

One broking analyst described yesterday's property sales as a "logical step" which would be followed with more liquidations because of Mr Holmes a Court's need for cash.

"He's very asset rich but short of liquidity. He needs to rationalise some of the equity positions he took in the bull run," the analyst said.

Ferruzzi lifts St Louis stake

BY GEORGE GRAHAM IN PARIS

FERRUZZI, the Italian foods group controlled by Mr Raul Gardini, has raised its stake in St *Louis*, the second-largest French sugar producer, to more than 13 per cent.

Mr Bernard Dumon, the French group's chairman, said that the stake, acquired partly through Ferruzzi's European Sugar subsidiary, had not yet reached the "anxiety threshold."

St Louis has, however, announced plans for a defensive capital increase which will boost the stake of its major shareholder, the Worms group, from 19 per cent to nearly 30 per cent.

Worms is to transfer its shares in another French foods group, BSN, to St Louis, in return for new St Louis shares. The operation will be put to a shareholders' meeting on December 11 and should give Worms and other friendly shareholders more than 50 per cent of the capital.

Mr Gardini's intentions remain unclear. He has told the French company that he wishes to "participate in the definition of the St Louis group's strategy, as its only important industrial shareholder."

But, in the sugar sector, any alliance would pose competition problems, since the two groups together have three quarters of the French sugar market.

BSN, meanwhile, announced yesterday that it had acquired Ardilla, the Nabisco group's Spanish pasta operation, with 9 per cent of its domestic market, and majority control of Siro, the fourth-largest Spanish biscuit producer.

France's largest foods group, BSN has been developing its activities in Spain and in Italy, where it has formed an alliance with the Agnelli group.

Bank of America cuts staff

BY CLARE PEARSON

BANK OF America International yesterday became the latest Eurobond house to announce *cuts in trading capacity when it* dismissed its market makers in floating rate notes.

Mr Gerald Doherty, managing director, said the bank had no imminent plans to withdraw from other sectors of the Eurobond market, but he added: "In common with many other houses, we are keeping our activities under close appraisal at the moment."

Three dealers in London and two in Hong Kong are to lose their jobs as a result of the withdrawal from dollar and sterling FRN trading.

But Mr Doherty said the company remained fully committed to trading in money market instruments, including commercial paper. He said these fitted in with the commercial banking business of its parent. Two securities houses, Salomon Brothers International and PaineWebber International, recently withdrew from the commercial paper market.

The floating rate note market *has so far failed to recover from* a crisis early this year, when prices fell steeply. A string of houses have been cutting down *their involvement in the market* since then.

Mr Doherty said Bank of America would continue to quote prices in FRNs to customers, though it would not be making prices to other professionals.

Swedish bank vice-president quits

BY SARA WEBB IN STOCKHOLM

MR LARS NYBERG, an executive vice-president at Svenska Handelsbanken, has resigned from his post as head of the investment banking division at Sweden's third-largest commercial bank, following the recent heavy trading losses made in the department.

Mr Nyberg, aged 42, will remain at the bank to work "on other duties," according to Mr Tom Hedelius, chief executive officer of the bank.

Handelsbanken revealed on Thursday that it faced total losses of SKr334m ($54.8m) on index options as the result of illegal trading activities of two employees who were fired last month.

The bank's insurance policy will cover losses of up to SKr200m. However, additional losses of SKr130m on equity futures are not eligible for insurance cover.

Handelsbanken has declined to say what effect the losses will have on full-year profits.

Banks' protests hit PWH rescue

By Peter Bruce in Bonn

EFFORTS TO rescue PHB Weserhuette (PWH), the troubled West German producer of heavy materials-handling equipment, are being slowed down by the refusal of angry *creditor banks to wipe out half* the group's DM335m ($197m) debt.

PWH was pushed close to bankruptcy last month by its parent company, the Otto Wolff engineering and trading group, which had said that it was no longer prepared to continue providing financial assistance. PWH made operational losses of DM128m last year, and a further DM108m in the first nine months of this year.

Since then, the Wolff group has tried to offer Hoesch, the steel producer, 50 per cent plus one share in PWH for a nominal DM1 and the PWH board, through an unofficial receiver, Mr Volker Grub, has been trying to persuade the banks to wipe out DM150m of its debt to make it more attractive to potential buyers.

But some of the banks are furious at the way the Wolff group unilaterally announced that it was casting PWH adrift. Observers believe PWH would not have been able to accumulate so much debt (DM102m in cash and DM233m in guarantees) had it not been able to associate itself with the well-regarded Wolff name.

Legally, Wolff is not responsible for any of the debt, but the move has left a bad taste in the mouths of some PWH creditors. "This thing is not all sewn up," said one Frankfurt banker yesterday. "The creditors are not agreed."

The Hoesch supervisory board met yesterday, but declined to take up the Wolff offer. Instead, the board agreed that the shares Wolff is offering should be placed with Mr Grub and that he should, meanwhile, continue trying to win agreement amongst the banks.

Hoesch has a first option on 49.6 per cent of PWH, which it sold to Wolff three years ago *after losing a battle for control* of PWH.

The affair may also embarrass the Deutsche Bank, the "house bank" to both Wolff and PWH, which would have been responsible for drawing most of the other creditors into doing business with PWH.

The smaller creditor banks are unlikely, however, to be able to withstand the Deutsche *Bank if it decides to approve a* cut in PWH's debt. PWH management and Mr Grub have made it clear that without such *a dramatic gesture by its creditors*, the group will have to declare itself bankrupt.

Japanese steels begin recovery

BY CARLA RAPOPORT IN TOKYO

JAPAN'S STEEL industry is on the road to recovery after suffering its worst year of losses since the war. In the six months to September, leading Japanese steel makers cut their losses dramatically by closing excess capacity and shedding thousands of jobs.

As a result, most of the steel companies expect to achieve a break-even position or move into profit by the end of the current fiscal year. The recovery of the industry once again underlined the remarkable speed with which Japanese *industry* can adjust to changes caused by the appreciation of the yen. The improvement was also helped, however, by a boom in the construction industry at home.

Nippon Steel, Japan's largest steel maker, yesterday reported a move back into profits at the operating level for the six month period and said it hoped to eliminate the red figures at the pretax level by the end of year. The company *is* in the process of reducing its capacity from 34m tonnes to 24m tonnes and trimming its 65,000 workforce by *19,000 jobs*.

At the pre-tax level, Nippon Steel showed losses in the period *down to Y6.8bn ($50.3m)* compared to a loss of Y11.9bn last year. Sales in the period were down 8.5 per cent to Y1,000bn. Exports feel by 8.6 per cent in the six months.

Nippon Kokan showed a similar trend for the period, with losses before special credits and charges falling to Y2bn from Y5.3bn *in the same six months* a year earlier. Sales in the period dropped by 11 per cent to Y481bn. The company, which is reducing its dependence on steel and moving into fine ceramics and chemicals, said it aimed to be in the black at pre-tax level by the year's end

Kawasaki Steel said its gross margin jumped from 9 per cent to 14.6 per cent for the first six months, allowing it to reduce pre-tax losses to Y2bn against Y6.1bn a year earlier. Sales in the period dropped by nearly 8 per cent to Y443bn, with exports down by nearly 20 per cent.

"Combined with the projected pick-up in sales, the crash efforts to restructure and regain a cost edge are expected to allow (Kawasaki) to restore profitability during the second half, one year ahead of schedule," the company said yesterday.

Kobe Steel also cut its losses in the period, showing a Y1.1bn loss in the period compared with Y8.2bn last year. Sales were down by 11.7 per cent in the six months. The company said, however, that it was unlikely *it* would emerge from losses in the full year.

Lorimar profits suffer from heavy writedowns

BY ANATOLE KALETSKY IN NEW YORK

LORIMAR TELEPICTURES, the troubled Hollywood film studio which has been unravelling ambitious plans to build a media conglomerate on the foundation of its successful television series - which include Dallas, Falcon Crest and Knots Landing - suffered further setbacks in its latest quarter.

The company announced an after-tax loss of $56.3m or $1.22 a share, compared with a loss of $2.2m or five cents the year before. The loss, most of it due to writedowns in the estimated value of its motion pictures, reduced Lorimar's net worth to about $320m. This was almost one-third lower than Lorimar's equity of $460m a year ago. The company's share share price, which reached a peak of $33 a year ago, yesterday fell $¼ to $8¼.

The company said that $45m of the last quarter's losses were due to reserves taken against the value of five films produced by its motion picture division. This division's management has been changed and the first projects completed under the new management are due for release at the beginning of 1988, Lorimar said.

While Lorimar's profitability declined in the quarter, its revenues from continuing operations increased sharply to $197.9m, 28 per cent higher than the year before.

The company has completed most of the asset disposals which it began earlier this year, after abruptly reversing its strategy of becoming a expanding into a wide variety of media-related businesses. It sold its magazine interests in August, its advertising agencies in September and entered into a definitive agreement to dispose of three of its six TV stations on September 30.

The proceeds from these dipposals, estimated at about $300m, are mainly to be used to repay the company's long-term debt which stood at more than $450m at the end of June.

CSR launches two bids for timber concerns

BY OUR SYDNEY CORRESPONDENT

AUSTRALIA'S CSR group, which has interests in building products, sugar and resources, yesterday announced its second double-move this week when it revealed a A$317m (US$216.3m) takeover bid for two timber companies.

The announcement, described by CSR as a significant strategic move, came only three days after the group disclosed the A$110m acquisition of two building materials companies in North America.

CSR said it would offer A$2.40 for each share of one company, Softwood Holdings. This is a vertically integrated group which grows radiata pine trees and manufactures and sells particle board and plywood.

For the second company, Timber Holdings - the main attraction of which is a 16.3 per cent holding in Softwoods - CSR said it would offer A$2.75 a share.

"The combined value of the two offers is A$317m," CSR said in a statement. "Adjusted for the cross-holding between Softwoods and Timber Holdings the cash outlay by CSR will total about A$275m."

The group said the offers were equivalent to a price earnings ratio of 24 times 1987 earnings, which in the case of Softwoods were down 32 per cent on non-equity accounted 1986 earnings.

Calling the offers "generous," Mr Ian Burgess, shortly to assume full duties as chief executive, said the two companies would enhance CSR's range of products by adding sawn timber, plywood and treated wood, and fitted perfectly with its existing timber products.

The takeover bids followed quickly after purchases made on Thursday of 8.4 per cent of the capital of Softwoods and 19.9 per cent of Timber Holdings.

The two companies are controlled by three families - the Alstergrens, Gunnersens and le Messuriers.

TNT produces 43% rise in first quarter

BY OUR SYDNEY CORRESPONDENT

TNT, THE Australian-based international transport group, has shown a 43.7 per cent increase in first-quarter earnings, and Sir Peter Abeles, chief executive, confidently pronounced the group recession-proof.

Figures released at the annual meeting in Sydney showed an equity accounted operating profit after tax and minorities of A$46.95m (US$32m) for the three months to September.

The figure, which was not broken down, compares with a profit of A$32.6m in the same *quarter last year. Revenues were* up 12.3 per cent, to A$820m from A$731m.

TNT's shares, which have suffered along with others in the recent share price collapse, added 48 cents to A$3.50 yesterday as the market recovered lost ground for the second day running. This was half of their peak level of A$7.02.

In his chairman's address, Mr Fred Millar said the TNT group was as strong and as healthy now as it was immediately prior to the fall in the markets.

He said it had A$630m in disposable cash, cash securities and committed undrawn long-term credit facilities, while Ansett Transport Industries, the airline *operation half owned with Mr* Rupert Murdoch's News group, had another A$220m.

An optimistic Sir Peter said that the transport sector was, by its nature, protected against recession and that TNT profits had always increased in previous economic downturns.

He was not expecting a recession, however, and in his view Australia and TNT were well-positioned to emerge as winners in the present *local* and worldwide economic climate.

The restructuring of the economy during the past five years, coupled with *improved* labour relations and a recognition by industry that it had to produce quality and sell throughout the *world, meant Australia's future* was bright.

In a move to encounter embarrassment over a controversial local issue, Sir Peter announced that passengers would be allowed to travel free of charge for the first two weeks of operation of the Sydney monorail system.

He confirmed yesterday that the monorail project, a cause for heated popular objections, would only be completed "a few months" late and at some 50 per cent over-budget - A$55-60m, as against A$35-40m.

The monorail had been due to start in mid-January, in time for Australia's bicentennial celebrations. It links the city centre *with the nearby Darling Harbour* project, completion of which has also be held up.

WORLD COMMODITIES PRICES

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 12	Nov 11	month ago	year ago
1668.8	1676.4	1679.3	1617.1

DOW JONES (Base: September 18 1931 = 100)

Spot	126.66	127.62	121.11
Futures	129.27	133.40	120.43

LONDON MARKETS

COPPER PRICES bounced back on the London Metal Exchange yesterday following the sharp retreat from the record highs reached on Wednesday. A £75.50 rise lifted the cash position to £1,435.50 a tonne, up £93 on the week but still £34.50 below Wednesday's close. *The market's renewed strength* was attributed to further gains in the New York Commodity Exchange (Comex) against a background of *continued extreme tightness of supplies* available for nearby delivery. This was reflected in the widening of the cash premium over three months copper to *£240 a tonne from £192.50 at the end of* last week. At one time the "backwardation," as this premium is *known*, reached an unprecedented £320. *The zinc market* was also strong yesterday, with a £20 rise lifting the cash position to £499 a tonne, up £31.50 on the week. Dealers thought the rise was due to speculation that the improved fundamental background would encourage European producers to raise their list prices for the metal. Further encouragement was given by bullish chart patterns and fears of a tightening supply situation, they added. This aluminium market's recent misery was relieved somewhat yesterday by a £23 rally which lifted the cash standard to £931 a tonne. But that still left the price £43.50 down on the week, in spite of the appearance of some bullish fundamental factors.

LONDON BULLION MARKET

Gold (fine ounce)

	$ price	£ equivalent
Close	485-485½	283¼-283¾
Opening	484-484½	282½-283
Morning fix	484.2	282.631
Afternoon fix	484.95	283.428
Day's high	486¼-486¾	
Day's low	483¾-484¼	

Gold & Platinum Coins

	$ price	£ equivalent
US Eagle	478-483	270½-273
Mapleleaf	478-483	270½-273
Krugerrand	485-468	263-265
1/2 Krug	241-250	136¼-141¼
1/4 Krug	119-127	67¼-71¾
Angel	474-479	267¾-270¾
1/10 Angel	47-52	27-29¾
New Sov.	109-110	61¾-62½
Old Sov.	109-110½	61¾-62¾
Britannia	478-483	270½-273
Noble Plat	511-520	289¾-295

Silver (fine ounce)

	UK pence	US cts equiv
Spot	380.25	671.00
3 months	388.60	683.00
6 months	396.60	694.75
12 months	413.70	722.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Nov	Oct	Nov

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1575				83
1625	70			

Copper (Grade A)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2050		169		
2150			120	

Copper (Grade A)	Calls		Puts	
Strike price £ tonne	Jan	Mar	Jan	Mar
1225			44	

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 25 tonne
Cash	1650-70	1610-30		1660-80		
3 months	1625-35	1590-600	1620/1600	1635-45	1640-50	2,602 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 15,350 tonne
Cash	930-2	907-9	936/933	935-6		
3 months	909-10	890-1	917/907	914-5	916-7	65,272 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,150 tonne
Cash	1435-6	1355-65	1450/1425	1440-5		
3 months	1195-6	1163-4	1196/1178	1195.5-4	1190-1	86,922 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1290-300	1325-35		1321-5		
3 months	1194-6	1148-52		1220-5		32 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	666-9	662-6		666-8		
3 months	678-81	674-8		678-81	680-3	589 lots
Lead (£ per tonne)						Ring turnover 13,900 tonne
Cash	357-8	355-7	363/362	363-5		
3 months	338-9	338-8.5	344/339	342-3	339-40	12,374 lots
Nickel (£ per tonne)						Ring turnover 402 tonne
Cash	3250-5	3270-80		3250-60		
3 months	3230-2	3250-60	3252/3230	3235-8	3220-30	8,203 lots
Zinc (£ per tonne)						Ring turnover 15,425 tonne
Cash	498-500	478.5-9.5	486	486-7		
3 months	497.5-8	482-2.5	496/485	486-7	498-9	14,923 lots

SPOT MARKETS

Crude oil (per barrel FOB December)

		+ or -
Dubai	$16.50-16.55	-0.025
Brent Blend	$17.98-18.03	-0.02
W.T.I. (1 pm est)	$18.88-18.91	-0.10

Oil products (NWE prompt delivery per tonne CIF December)

		+ or -
Premium Gasoline	182-184	
Gas Oil	163-164	-1
Heavy Fuel Oil	89-90	-2
Naphtha	155-158	-1.5

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)	$485.25	+1.75
Silver (per troy oz)	880.25p	+4.75
Platinum (per troy oz)	$497.75	+7.75
Palladium (per troy oz)	$112.50	+3.50
Aluminium (free market)	$1670	+20
Copper (US Producer)	119.00c	+0.50
Lead (US Producer)	42.00c	
Nickel (free market)	270c	
Tin (European free market)	£4010	-15
Tin (Kuala Lumpur market)	17.45r	-0.09
Tin (New York)	327.50c	-1.00
Zinc (Euro. Prod. Price)	$820	
Zinc (US Prime Western)	43.375c	
Cattle (live weight)†	98.63p	-0.61*
Sheep (dead weight)†	188.39p	-8.81*
Pigs (live weight)†	72.71p	+0.08*
London daily sugar (raw)	$191.60x	+0.80
London daily sugar (white)	$194.50x	-0.50
Tate and Lyle export price	£214.50	+0.50
Barley (English feed)	£108.00	
Maize (US No. 3 yellow)	£131.25	
Wheat (US Dark Northern)	£89.75y	-0.25
Rubber (spot)¶	62.00p	-0.25
Rubber (Dec)¶	63.50p	-0.25
Rubber (Jan)¶	63.50p	-0.25
Coconut oil (Philippines)§	$495.00z	
Palm Oil (Malaysian)§	$367.50	-2.50
Copra (Philippines)§	$320.00y	
Soyabeans (US)	$139.00	+1.50
Cotton "A" index	74.30c	
Woolops (64s Super)	480p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lbs. r-ringgit/kg. w-Dec/Jan. x-Nov/Dec.y-Dec. z-Jan/Feb. † Meat Commission average fatstock. * change from a week ago. ¶ London physical market. § CIF Rotterdam

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	163.00	165.00	164.50 162.75
Jan	161.75	163.00	163.00 161.25
Feb	159.75	160.75	160.50 159.50
Mar	156.50	158.00	156.75 155.50
Apr	153.00	157.00	153.00 153.00

Turnover 3800 (5268) lots of 100 tonnes

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1202.0	1220.5	1222.0 1200.0
Apr	1230.0	1243.0	1244.0 1225.0
Jly	1103.0	1110.0	1115.0 1100.0
BFI	1163.5	1170.5	1163.5

Turnover 290 (177)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	111.30	110.50	111.50 110.75
Jan	113.50	112.75	113.70 112.90
Mar	115.50	114.75	115.75 114.90
May	117.75	116.90	117.80 117.00
Jly	120.35	119.65	120.50 119.75
Sep	102.70	102.70	102.70 102.70
Nov	104.40	104.40	104.40 104.40

Barley	Close	Previous	High/Low
Nov	105.10	104.75	105.20 105.00
Jan	107.60	107.40	107.65 107.50
Mar	109.60	109.40	109.60 109.55
May	111.40	111.25	111.40 111.20
Sep	99.00	99.00	99.00 99.00
Nov	101.00	101.00	101.00 101.00

Turnover: Wheat 574 (300), Barley 427 (101) lots of 100 tonnes.

COCOA £/tonne

	Close	Previous	High/Low
Dec	1100	1124	1116 1097
Mar	1131	1156	1149 1128
May	1151	1177	1170 1151
Jly	1171	1199	1187 1170
Sep	1190	1218	1209 1189
Dec	1215	1241	1223 1214
Mar	1239	1266	1258 1246

Turnover: 4808 (2593) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 13: 1428.78 (1446.33) .10 day average for November 12: 1433.74 (1438.32).

POTATOES £/tonne

	Close	Previous	High/Low
Nov	90.0	100.0	
Feb	102.0	102.0	102.0 102.0
Mar	92.0	92.0	88.0 88.0
Apr	155.0	151.8	155.8 151.0
May	168.5	165.5	169.5 165.0

Turnover 773 (1006) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	140.00	135.30	136.50 138.50
Feb	140.00	135.00	135.00 135.00
Apr	139.00	134.00	136.00 135.80
Jun	130.00	124.50	125.00 125.00
Aug	128.00	123.50	
Oct	128.00	124.50	
Dec	128.50	126.00	

Turnover 302 (127) lots of 100 tonnes.

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	169.40	169.40	169.00 168.20
Mar	173.80	174.80	175.00 172.40
May	173.80	175.00	175.00 172.40
Aug	173.80	175.00	175.00 173.80
Oct	174.60	175.20	175.40 173.80
Dec	176.80	177.40	176.80 176.60
Mar	182.00	182.00	0 0

White	Close	Previous	High/Low
Dec	197.00	198.50	197.00 194.50
Mar	203.50	204.50	204.00 202.00
May	206.00	209.00	207.00 207.00
Aug	211.50	213.50	213.00 211.00
Oct	212.00	213.50	213.50 212.00
Dec	213.00	214.50	213.00 213.00
Mar	219.00	219.00	0 0

Turnover: Raw 2380 (3910) lots of 50 tonnes. White 632 (1864).
Paris- White (FFr per tonne): Dec 1145, Mar 1171, May 1200, Aug 1240, Oct 1242, Dec 1245.

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1245	1260	1250 1243
Jan	1277	1293	1283 1273
Mar	1299	1315	1307 1298
May	1327	1340	1331 1324
Jly	1345	1361	1350 1344
Sep	1375	1387	1365 1365
Nov	1400	1410	0 0

Turnover: 2148 (2890) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 12 :Comp. daily 115.72 (116.17) 15 day average 113.63 (113.29).

SPICES

Trading in pepper remained very limited, and the undertone of the market softened despite stocks in Europe staying very tight and producer supplies relatively low, reports Man Producten. With Indonesia still the only origin supplier of white pepper, spot Muntok was offered at $6600. Spot black pepper supplies were very tight and priced at $4900/5000 depending on quality. Other spot prices were: cloves, $4000; nutmegs, Indonesian ABCD $6800, Grenada ABCD sound unsorted $6600; ginger, Nigerian split $700, Chinese whole peeled $1150, China sliced $900, Cochin unbleached $1650 cif, Cochin new crop $2100 cif; pimento, Jamaica $2425 cif, Mexico $1550.

US MARKETS

In lacklustre trading gold and silver finished marginally higher following early trade buying, reports Drexel Burnham *Lambert. Platinum fell on local selling* and profit-taking as buyers backed off, but recovered slightly towards the close. Copper was quieter than of late with light *trade, commission house and local* buying as well as arbitrage selling featuring. In addition, local selling of the December/March switch was noted. *Crude oil was confined to a narrow* range as local selling failed to overcome trade support at the lows. Early trade selling featured in the products, followed by local buying. Coffee eased on pre-weekend book-squaring. Cocoa eased as commission house selling touched off sell-stops around $1850, basis March, but short-covering pared losses. Origin-type selling and commission house long-liquidation eased sugar in the face of scale-down trade buying. Cotton was again sharply higher as trade and commission house buying broke resistance at 68.50c, basis December, touching off stops. Cattle futures were lower reflecting lack of physical business and lower dressed beef prices. Live hogs eased in early trading then firmed as traders anticipated higher demand for ham, this despite current weakness in cash hogs. Pork bellies traded indifferently. Commercial buying in soyabeans, commission house buying in soyameal and technical buying in soya oil firmed prices. Maize steadied in response to the steady soya complex and on anticipation of further Soviet interest. Wheat, on the other hand, eased as it was reported that the Soviet Union would only be buying 500,000 tonnes, less than was anticipated.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	464.6	463.5	465.0 465.0
Dec	465.6	464.7	467.5 464.6
Jan	468.2	467.3	0 0
Feb	471.5	470.6	473.5 470.2
Apr	477.2	476.2	479.3 476.5
Jun	482.9	481.8	484.0 481.8
Aug	488.8	487.6	490.0 488.5

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	160.50	159.55	164.00 159.50
Jan	157.25	156.60	157.25 156.30
Mar	154.40	154.25	154.80 154.10
May	154.30	153.95	154.25 154.00
Jly	154.30	153.95	0 0
Sep	154.10	153.50	0 0
Nov	151.25	151.50	0 0
Jan	151.25	151.50	151.00 151.00
Mar	151.25	151.50	0 0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1808	1836	1838 1805
Mar	1832	1864	1875 1828
May	1863	1912	1902 1858
Jly	1890	1944	1930 1890
Sep	1923	1972	1957 1918
Dec	1958	2010	1985 1965
Mar	1995	2036	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	125.59	125.70	126.25 125.30
Mar	130.00	130.21	130.70 129.85
May	132.00	132.05	132.40 131.70
Jly	133.50	133.50	133.75 133.40
Sep	135.25	135.13	134.75 134.75
Dec	135.55	136.00	0 0
Mar	136.30	138.50	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	104.85	104.25	106.00
Dec	102.60	102.20	105.20
Jan	98.00	97.80	0
Mar	91.60	90.00	92.45
May	86.10	84.70	87.10
Jly	84.80	83.60	86.00
Sep	84.20	82.90	85.20
Dec	83.80	82.50	84.00
Jan	83.75	82.45	0
Mar	83.70	82.40	83.50

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	493.3	498.8	499.0 493.5
Dec	495.5	501.0	0 0
Jan	497.8	503.3	508.5 495.0
Apr	505.8	511.0	516.5 503.0
Jly	513.8	519.0	522.5 513.5
Oct	521.8	527.0	531.0 530.0
Jan	530.3	535.5	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	672.0	662.4	0 0
Dec	674.0	664.5	677.0 668.5
Jan	678.0	668.5	0 0
Mar	687.9	678.3	691.0 680.0
May	696.8	687.0	699.0 692.5
Jly	705.7	695.6	709.0 697.0
Sep	715.2	704.9	716.0 710.0
Dec	730.0	719.3	730.0 721.0
Jan	734.8	724.0	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	7.25	7.18	7.23 7.19
Mar	7.71	7.76	7.80 7.64
May	7.74	7.77	7.80 7.65
Jly	7.75	7.76	7.79 7.65
Oct	7.82	7.79	7.84 7.73
Jan	7.98	7.95	0 0
Mar	8.05	8.07	8.07 8.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	69.94	68.03	69.95 68.05
Mar	71.18	69.18	71.18 69.35
May	71.80	69.80	71.80 69.85
Jly	71.90	69.90	71.90 70.25
Oct	67.00	65.98	67.00 65.90
Dec	66.50	64.68	65.75 64.50
Mar	66.60	65.30	66.20 65.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Dec	18.87	18.91	18.91 18.78
Jan	18.77	18.83	18.82 18.68
Feb	18.67	18.75	18.72 18.60
Mar	18.63	18.69	18.64 18.56
Apr	18.54	18.63	18.55 18.49
May	18.46	18.57	18.52 18.48
Jun	18.40	18.51	18.40 18.40
Jly	18.28	18.45	0 0
Aug	18.30	18.39	18.30 18.22
Sep	18.25	18.33	18.28 18.23

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	56.05	56.95	56.50 55.90
Jan	55.65	56.30	55.80 55.30
Feb	54.70	55.25	54.90 54.35
Mar	52.40	52.80	52.50 52.00
Apr	50.50	50.80	50.55 50.15
May	49.25	49.50	49.25 49.20
Jun	48.90	49.40	48.90 48.70
Jly	0	49.00	48.60 48.60

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.72	17.63	18.12 17.71
Jan	17.86	17.97	18.28 17.86
Mar	18.21	18.32	18.65 18.20
May	18.54	18.65	19.00 18.58
Jly	18.80	18.83	19.10 18.80
Aug	18.87	18.90	19.10 18.85
Sep	18.97	18.95	19.10 18.95
Oct	19.05	18.95	19.05 19.05
Dec	19.12	19.15	19.30 19.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	202.7	195.3	205.0 197.5
Jan	194.7	188.7	198.0 190.7
Mar	187.2	182.4	190.2 184.5
May	181.0	177.2	182.5 179.0
Jly	177.7	174.2	179.5 176.0
Aug	176.7	173.0	178.5 175.0
Sep	177.0	173.0	180.0 176.0
Oct	176.5	171.0	176.5 174.5
Dec	175.0	171.2	177.0 175.0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	285/4	290/0	293/0 285/2
Mar	297/6	301/2	303/0 297/0
May	298/0	301/4	301/6 297/2
Jly	285/0	288/0	290/4 285/0
Sep	289/0	292/4	293/4 289/0
Dec	298/0	301/0	300/0 298/0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	43.50	43.32	43.60 42.80
Feb	42.27	42.12	42.55 41.77
Apr	38.97	38.60	39.07 38.45
Jun	42.12	41.92	42.20 41.65
Jly	42.30	42.27	42.70 42.02
Aug	41.20	41.30	41.60 41.02
Oct	38.62	38.30	38.70 38.15
Dec	39.40	39.40	0 39.20

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	182/4	180/6	183/0 181/4
Mar	189/6	187/0	190/0 188/0
May	195/6	192/6	195/4 193/2
Jly	197/6	195/4	198/4 197/2
Sep	196/2	194/4	197/0 196/0
Dec	194/4	193/0	195/0 193/4
Mar	200/4	199/2	0 0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	58.02	55.67	58.40 54.80
Mar	55.95	55.65	56.25 54.85
May	57.50	57.12	57.50 56.00
Jly	57.50	57.15	57.55 56.30

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Nov	563/6	554/6	572/0 558/4
Jan	569/6	561/4	580/0 564/4
Mar	577/4	569/0	589/0 573/0
May	580/6	573/4	590/0 577/0
Jly	583/4	576/0	591/0 579/0
Aug	581/0	572/0	589/0 580/0
Sep	572/4	566/0	577/4 572/0
Nov	571/0	565/2	579/0 568/0
Jan	577/0	571/0	0 0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	63.55	64.47	64.10 63.45
Feb	59.95	60.62	60.45 59.85
Apr	62.52	63.07	62.90 62.42
Jun	62.67	63.10	63.10 62.62
Aug	61.25	61.45	61.45 61.15
Oct	60.35	60.97	60.50 60.15
Dec	61.75	61.90	61.75 61.30

WORLD STOCK MARKETS

NEW YORK

[illegible]

WALL STREET

Stocks fall in sluggish trading

WALL STREET stocks continued to decline in sluggish trading. Concern about the Federal budget talks weighed on investor sentiment and failed to inspire an extension of the upward momentum of Thursday. A slight decline in bond prices also kept investors edgy.

The Dow Jones industrial average, up 61 points on Thursday, eased 20.06 to 1940.15 at 1pm.

Declines led advances seven-to-five on volume of 121m shares.

Squibb fell $7¾ to $70¾. It was downgraded by Merrill Lynch because of competition with a new Merck drug.

CANADA

Toronto stock prices were mixed at midsession after moving in a narrow range throughout the first half of the day.

The composite index was off 5.00 points at 2,934.00 on busy turnover of 13,500,259 shares. However, gaining issues led the losing issues 423 to 274.

In a surprise move, TransCanada PipeLines announced a C$8.75 per share bid for Encor Energy. Encor was up C$⅛ at C$6⅞ on volume of 24,112 shares.

On the active list, B.C. Forest was up C$⅛ to C$15½, Dome Petroleum was unchanged at 86 cents, Canadian Pacific slipped C$⅛ to C$20½, Alcan fell C$⅛ to C$30⅜ and Wardair dropped C$⅛ to C$8¼.

The Toronto Gold index surged 148.1 points to 6,388.0 with the aid of Echo Bay Mines, up C$1¼ to C$24⅜, and Hemlo Gold, up C$⅛ to C$16¼.

In Montreal, the market portfolio index was down 11.19 points to 1,491.30 with losses among banks, industrials and utilities.

TOKYO

Share prices closed 4.2 per cent higher as a smaller than expected U.S. trade deficit, steady dollar and surging Wall Street market delighted investors.

In point terms, the rise was the third biggest one-day climb ever. But the index ended an extremely volatile week close to where it began.

The 225-share price index climbed 901.75 points to 22,448.25, a few points off earlier peaks. On Thursday the average gained 509.74. Advances led declines about 18-to-one in turnover of 600m shares against 380m on Thursday.

Pharmaceutical, communications, bank, insurance, credit/lease, real estate and retail shares led the advance.

Export-related electronics, precision instrument, general manufacturing, auto and machinery stocks also surged as the dollar rose against the yen.

Shares of Nippon Telegraph and Telephone (NTT) rose Y50,000 to Y2.7m. A tranche of 1.95m government-owned shares of NTT was sold at Y2.55m each from November 10 to 12. All shares were sold.

Powerful institutions did not buy heavily, noting the modest volume. Individuals and securities houses were the main buyers, and foreigners neither bought nor sold in any significant numbers.

AUSTRALIA

The Australian share market forged ahead to close sharply higher in a repeat of Thursday's performance and following gains on foreign markets.

At the close, the all ordinaries index was 69.4 points or 6.0 per cent higher at 1,275.5. The all industrials index rose 95.7 points to 1,973.8, the gold marker 152.0 to 1,905.0 and the all resources 47.9 to 739.5.

The local market was buoyed by 60-point plus rises in New York and London following better-than-expected September U.S. trade figures and by slightly firmer bullion prices.

Moderate national turnover saw 146.49m shares worth A$216.77m change hands. Rises outnumbered falls by two to one.

Gold-related stocks led the charge following the slight firming of bullion prices to $463.70/464.20 in New York from $462.50/463.00 at Thursday's close. Gold made further gains during Friday's session.

Sons of Gwalia took centre stage, climbing 70 cents to A$6.50. Metana rose 50 to A$7.40 and Poseidon 45 to A$3.10.

Other resource stocks to benefit included CRA, up 70 to A$5.30, Bougainville 40 to A$3.20 and Western Mining 34 to A$5.14.

Entrepreneurial stocks, savaged in the market shakeout, made slight gains in light trade.

HONG KONG

Share prices closed sharply higher but with pared gains as light profit taking emerged towards the close.

The Hang Seng index closed 75.87 points higher at 2,226.74 after rising 110 points in mid-morning. The Hong Kong index rose 51.87 to 1,444.27. Turnover was HK$1.63bn against HK$1.25bn on Thursday.

Near term sentiment has partially recovered after the market showed strong support at the 2,000 level, but the advance was halted by pent up cut-loss selling, and it is believed the 3,000 level should show considerable resistance.

Hk Land remained in the limelight amid rumours that local or Japanese interests were plannig to challenge Jardine Matheson's control of the firm.

Hk Land rose 15 cents to close at HK$7.85 after rising as high as HK$8.40. Jardine Matheson gained 30 cents to HK$9.65 and Jardine Strategic was unchanged at HK$6.85.

SINGAPORE

The stock market staged a recovery in moderate trading following a 4.2 per cent rise in the Tokyo stock prices on Friday.

The Straits Times industrial index was not available but according to calculations made by Overseas Union Bank Ltd, the index rose 2.51 per cent to 822.33 points from Thursday's close of 802.14. Sentiment was also boosted by a smaller than expected U.S. trade deficit, a steady U.S. dollar and Wall Street's 61-point gain on Thursday.

Blue chips and quality stocks were generally higher with several counters posting double-digit gains.

FRANKFURT

Share prices closed a nervous bourse mixed compared with Thursday but down on the opening levels, with foreign profit-taking depressing sentiment during the session despite a renewed dollar rise.

Professional operators squared positions ahead of the weekend, also undermining share prices. Dealers were divided on the prospects of a sustained recovery on bourses.

Some said that share selling had been overdone and a bottom had been found, but others said if talks to reduce the U.S. budget deficit failed the dollar and share prices would plunge again.

The U.S. trade data for September boosted the dollar and share prices in pre-bourse trading. But gains were eroded throughout the session and only a few last-minute buy orders pulled prices off lows.

The Commerzbank index rose 17.1 points or 1.3 per cent to 1,379. The Boersen-Zeitung 30-share index rose 3.83 points or 1.3 percent to 289.27.

Deutsche Bank ended DM5 higher at DM460, well down on its opening and session high of DM475. Dresdner fell DM2 to DM244, Commerzbank edged DM0.50 down to DM232.50. Insurer Allianz dropped DM30 to DM1,115.

Closing prices for North America were not available for this edition.

CANADA

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CURRENCIES & MONEY

FOREIGN EXCHANGES

Dollar shows late fall

The US dollar showed a late fall in currency markets yesterday on news that US budget talks had finished until Monday. This removed some of the nervousness seen earlier in the day as traders had been reluctant to carry exposed positions over the weekend for fear of being caught out by any weekend agreement between Congress and the President.

US trade figures for September were mildly bullish but only because they were slightly less dreadful than expected and as such provided little basis to become optimistic about dollar prospects.

The dollar closed at DM1.6880 from DM1.6980 and Y135.90 compared with Y136.40. Elsewhere it finished at SFr1.3875 from SFr1.3975 and FFr5.7250 from FFr5.7525. On Bank of England figures, the dollar's exchange rate index was 97.0 from 96.8.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index 75.3, unchanged from the opening and Thursday's close. The six months ago figure was 72.0.

Sterling was confined to a narrow range ahead of the weekend. An unexpected fall in UK industrial production and a rise in the inflation rate appeared to have little effect.

The pound closed at $1.7685 from $1.7575 and DM2.9850, unchanged from Friday. It was firmer against the yen at Y240.25 from Y239.75 and closed elsewhere at SFr2.4550, unchanged and FFr10.1250 from FFr10.1100.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590 October average 1.8011. Exchange rate index 150.6 against 147.0 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM1.6926 compared with DM1.6832.

Trading tending to support the dollar ahead of the weekend but many dealers were convinced that a further depreciation seemed to be almost inevitable unless recent efforts to cut the US budget deficit exceeded all expectations.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 227.9 against 226.4 six months ago.

Trading remained rather nervous in Tokyo but the dollar finished the day showing a small improvement as sentiment remained mildly bullish. While remaining unacceptably high September's US trade deficit was at the better end of expectations.

The dollar closed at Y136.05 up from Y135.85 in New York and Y134.80 in Tokyo on Thursday.

£ IN NEW YORK

Nov 13	Latest	Previous Close
£ Spot	1.7965-1.7975	1.7660-1.7670
1 month	0.32-0.30pm	0.34-0.32pm
3 months	0.68-0.64pm	0.70-0.67pm
12 months	1.85-1.75pm	1.95-1.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov.13	Previous
8.30	am	75.3	75.1
9.00	am	75.3	75.2
10.00	am	75.4	75.2
11.00	am	75.3	75.1
Noon		75.2	75.2
1.00	pm	75.2	75.3
2.00	pm	75.1	75.2
3.00	pm	75.3	75.1
4.00	pm	75.3	75.3

CURRENCY RATES

Nov.13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.76202	0.691075
U.S Dollar	6	1.3448	1.21871
Canadian $	8.75	*	1.60748
Austrian Sch.	4	15.9752	14.5173
Belgian Franc	7¾	47.5260	43.1180
Danish Krone	7	8.7682	7.95635
Deutsche Mark	3	2.2762	2.06328
Neth.Guilder	4½	N/A	2.32237
French Franc	9½	7.7300	7.00697
Italian Lira	12½	N/A	1519.43
Japanese Yen	2½	182.83	165.806
Norway Krone	8	N/A	7.82412
Spanish Peseta	-	N/A	139.177
Swedish Krona	7½	N/A	7.44023
Swiss Franc	3	N/A	1.69705
Greek Drach.	20½	178.6059	161.857
Irish Punt			0.775754

*C$/SDR rate for Nov 12 1.77546

CURRENCY MOVEMENTS

Nov.13	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.3	-18.9
U.S.dollar	97.0	-9.7
Canadian Dollar	77.1	-10.8
Austrian Schilling	141.7	+10.9
Belgian Franc	101.3	-4.3
Danish Krone	93.6	+2.6
Deutsche Mark	150.6	+23.5
Swiss Franc	179.5	+25.3
Guilder	138.5	+13.7
French Franc	72.1	-13.2
Lira	47.6	-18.7
Yen	227.9	+71.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Nov.13	£	$
Argentina	6.9345-7.0265	3.9300-3.9800
Australia	2.5665-2.5695	1.4590-1.4600
Brazil	101.255-101.825	57.385-57.675
Finland	7.3185-7.3425	4.1535-4.1555
Greece	233.40-236.45	131.60-133.85
Hong Kong	13.7515-13.7665	7.800-7.8010
Iran	121.50*	67.35*
Korea(Sth)	1404.55-1417.25	795.40-801.80
Kuwait	0.48810-0.48860	0.27675-0.27685
Luxembourg	62.40-62.50	35.25-35.35
Malaysia	4.4105-4.4235	2.5035-2.5055
Mexico	2982.00-3019.05	1690.00-1710.00
N. Zealand	2.8635-2.8710	1.6355-1.6319
Saudi Ar.	6.6110-6.6165	3.7480-3.7485
Singapore	3.6110-3.6195	2.0465-2.0475
S. Af (Cm)	3.5130-3.5300	1.9900-1.9960
S. Af (Fn)	5.7350-5.9280	3.2520-3.3615
Taiwan	52.45-52.70	29.75-29.85
U.A.E.	6.4780-6.4840	3.6525-3.6535

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Nov.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7580-1.7720	1.7680-1.7690	0.34-0.31cpm	2.21	0.74-0.69pm	1.62
Canada	2.3247-2.3330	2.3320-2.3330	0.15-0.05cpm	0.51	0.15-0.02pm	0.15
Netherlands	3.35¼-3.37½	3.35¼-3.36¼	1¼-1cpm	4.02	3¼-3⅛pm	3.87
Belgium	62.20-62.57	62.40-62.50	16-5cpm	2.02	40-25pm	2.08
Denmark	11.49-11.54¼	11.50¼-11.51¼	⅝-1⅝oredis	1.04	3¼-4dis	1.26
Ireland	1.1180-1.1260	1.1220-1.1230	0.03pm-0.03cdis	0.32	par-0.15dis	-0.27
W. Germany	2.98-2.99¼	2.98-2.99	1¼-1⅛pfpm	3.28	3⅝-3⅜pm	5.03
Portugal	242.09-243.50	242.50-243.50	33-88cdis	-2.99	214-321cdis	-4.40
Spain	200.89-202.02	201.55-201.85	70-130cdis	-5.95	295-305dis	-5.35
Italy	2195-2207¾	2197½-2198½	4-10liredis	-3.82	10-20dis	-2.73
Norway	11.30-11.38¼	11.34-11.35	4⅝-5oredis	-5.09	15¼-16¼	-5.55
France	10.12-10.15¼	10.12-10.13	par-1cdis	-0.59	par-1¼dis	-0.35
Sweden	10.75¼-10.79	10.77¼-10.78½	¼pm-¼oredis	-	¼-1½dis	-0.44
Japan	239½-240¼	239¾-240¼	1⅛-1ypm	5.31	3-2⅞pm	4.79
Austria	20.96-21.07	21.03-21.07	7⅞-6⅝gropm	4.21	22⅞-19⅞pm	4.06
Switzerland	2.45-2.46¼	2.45-2.46	1¼-1⅛cpm	5.80	3¼-3pm	5.09

Belgian rate is convertible francs. Financial franc 62.75-62.85. Six-month forward dollar 1.29-1.24cpm 12-month forward dollar1.97-1.87pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7580-1.7720	1.7680-1.7690	0.34-0.31cpm	2.21	0.74-0.69pm	1.62
Ireland†	1.5682-1.5770	1.5705-1.5715	0.25-0.20cpm	1.71	0.62-0.52pm	1.45
Canada	1.3165-1.3195	1.3185-1.3195	0.17-0.20cdis	1.69	0.47-0.50dis	1.47
Netherlands	1.8960-1.9100	1.8995-1.9005	0.29-0.26cpm	1.74	1.10-1.05pm	2.26
Belgium	35.24-35.43	35.25-35.35	2dis-1cpm	-0.17	6-1pm	0.40
Denmark	6.50½-6.58	6.50½-6.51	1.15-1.85oredis	-1.84	3.90-4.60dis	-1.41
W. Germany	1.6845-1.6970	1.6875-1.6885	0.46-0.43pfpm	3.20	1.44-1.39pm	3.39
Portugal	137.70-138.50	137.75-138.25	50-80cdis	-5.66	190-250dis	-6.39
Spain	113.70-114.35	114.10-114.20	60-90cdis	-7.90	175-225dis	-7.02
Italy	1241-1249	1242¼-1243¼	5.00-6.00liredis	-5.29	13.00-16.00dis	-4.65
Norway	6.40¼-6.45	6.41¼-6.41¾	4.00-4.35oredis	-7.81	11.65-12.05dis	-7.39
France	5.72¼-5.76¼	5.72¼-5.72¾	1.25-1.40cdis	-2.48	2.80-3.10	-1.84
Sweden	6.08¼-6.11	6.09¼-6.09¾	1.00-1.30oredis	-2.41	2.65-3.05dis	-1.99
Japan	135.55-136.30	135.85-135.95	0.34-0.31ypm	2.81	1.10-1.05pm	3.17
Austria	11.86-11.92¼	11.89¼-11.90¼	2.20-1.80gropm	2.02	8.00-6.50pm	2.44
Switzerland	1.3855-1.3960	1.3870-1.3880	0.44-0.39cpm	3.58	1.24-1.17pm	3.47

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.45-35.55.

EURO-CURRENCY INTEREST RATES

Nov.13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9-8¾	9⅛-8⅞	9⅛-8⅞	9-8¾	9⅛-8⅞	9⅛-9⅛
US Dollar	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	7⅛-7⅞	7⅝-7⅝	7⅞-7⅞
Can. Dollar	8⅞-8⅜	8⅝-8⅜	8⅝-8⅜	8⅝-8⅜	8⅞-8⅝	9⅛-9⅛
D. Guilder	4⅝-4⅜	4⅝-4⅜	4⅝-4⅜	4⅝-4⅝	5⅛-4⅞	5⅛-5⅜
Sw. Franc	3-3	2⅞-2⅝	3¼-3	4-3⅞	4⅛-3⅞	4⅛-3⅞
Deutschmark	3⅝-3⅜	3⅝-3⅜	3⅝-3⅜	4-3⅞	4⅛-4	4⅜-4⅛
Fr. Franc	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜
Italian Lira	11-10	12½-10⅛	12½-11⅛	12⅛-11⅛	12-11⅛	12-11⅛
B. Fr. (Fin)	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	7⅛-7	7⅛-7	7⅞-7⅛
B. Fr. (Con.)	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	7⅛-6⅞	7⅛-6⅞	7⅛-6⅞
Yen	3⅞-3⅝	4⅛-3⅞	4⅛-4	4⅛-4⅛	4⅜-4⅛	4⅜-4⅛
D. Krone	9⅞-9⅝	9⅞-9⅝	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Asian $Sing	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	7⅛-7⅛	7⅛-7⅛	7⅞-7⅛

Long term Eurodollars: two years 8⅞-8⅛ per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.769	2.985	240.3	10.13	2.455	3.360	2198.	2.333	62.45
$	0.565	1.	1.688	135.9	5.725	1.388	1.900	1243.	1.319	35.30
DM	0.335	0.592	1.	80.49	3.392	0.822	1.126	736.3	0.781	20.92
YEN	4.162	7.361	12.42	1000.	42.14	10.22	13.99	9149.	9.709	259.9
F Fr.	0.988	1.747	2.948	237.3	10.	2.425	3.319	2171.	2.304	61.68
S Fr.	0.407	0.720	1.216	97.86	4.124	1.	1.369	895.3	0.950	25.44
H Fl.	0.298	0.526	0.888	71.50	3.013	0.731	1.	654.2	0.694	18.59
Lira	0.455	0.805	1.358	109.3	4.606	1.117	1.529	1000.	1.061	28.41
C $	0.429	0.758	1.280	103.0	4.341	1.053	1.441	942.5	1.	26.77
B Fr.	1.601	2.832	4.780	384.7	16.21	3.931	5.380	3520.	3.735	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates slightly higher

Interest rates were slightly firmer at the longer end but finished unchanged elsewhere. The emergence of a true yield curve reflected a change in market sentiment after the predominantly flat path taken by interbank rates from one month out to one year.

Some traders suggested that the authorities were awaiting the outcome to recent talks on the US budget deficit before considering any further cut in rates, possibly as part of a concerted G7 move.

UK clearing bank base lending rate 9 per cent from November 5

Meanwhile market sentiment was soured a little by an unexpected drop in UK industrial production of 1 p.c. in September and an upward shift in the rate of inflation, as measured by the retail price index to 4.5 p.c. from 4.2 p.c.

Three-month interbank money was quoted at 9-8⅞ p.c., unchanged from Thursday but the one year rate rose to 9⅜-9⅛ p.c. from 9⅛-8¹⁵⁄₁₆ p.c. Weekend money opened around 9½ p.c. but fell away to 5 p.c. before finishing at 6 p.c.

The Bank of England forecast a shortage of around £950m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £992m and a rise in the note circulation a further £285m. In addition banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £365m.

To help alleviate the shortage, the Bank offered an early round of assistance which comprised outright purchases of £61m of eligible bank bills, £23m in band 1 and £38m in band 2 all at 8⅞ p.c. It also arranged sale and repurchase agreements on £884m of bills at 8¹⁵⁄₁₆ p.c., unwinding in equal amounts on November 30 and December 7.

The forecast was revised to a shortage of around £1,000m before taking into account the early help and the Bank gave noadditional assistance in the morning. Assistance in the afternoon came to £51m through outright purchases of £36m of eligible bank bills in band 1 and £15m in band 2 all at 8⅞ p.c. Total help came to £996m.

Receding hopes of an early cut in base rates were refected in the results of the weekly Treasury bill tender where the average rate of discount rose to 8.5170 p.c. from 8.2877 p.c. The £100m of bills on offer attracted bids of £672m compared with £954m for a similar amount the previous week and all bills on offer were alloted.

The minimum accepted bid was £97.865 against £97.93 and bids at that level were met as to about 6 p.c. and above in full, against 30 p.c. Next week a further £100m of bills will be on offer, replacing a similar amount of maturities.

The £500m of 63-day bills on offer attracted bids of £1,664m and bids at the minimum accepted rate of £98.50 were met as to about 44 p.c. and above in full. The average rate of discount was 8.6648 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.13) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 7⅞	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	4.49	Three year	8.00
Broker loan rate	7.75	Two month	4.87	Four year	8.19
Fed.funds	6⅞	Three month	6.08	Five year	8.32
Fed.funds at intervention	6⅝	Six month	6.70	Seven year	8.63
		One year	6.98	10-year	8.81
		Two year	7.72	30-year	8.89

Nov.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.50-3.60	3.50-3.65	3.80-3.85	3.85-4.00	3.90-4.05	4.50
Paris	9.25	8.9375	8.9375	8.9375	9.0625	8.25
Zurich	1.00	3.125	-	3.875	-	-
Amsterdam	4.25	4.9375	-	5.0625	-	-
Tokyo	3.28125	3.84375	-	3.96875	-	-
Milan	10.25	10.875	-	11.75	-	-
Brussels	7.20	6.75	-	7.0625	-	-
Dublin	9.125	9.00	9.0625	9.1875	9.4375	-

LONDON MONEY RATES

Nov.13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9.50	9.25	9.0625	9.0625	9.125	9.25
Interbank Bid	5.00	8.75	8.875	8.875	8.9375	9.0625
Sterling CDs	-	-	8.90625	8.875	8.8125	8.875
Local Authority Deps.	8.875	8.875	8.875	8.875	8.875	8.875
Local Authority Bonds	-	-	9.4375	9.4375	9.50	9.5625
Discount Mkt Deps.	6.125	8.75	8.75	8.25	8.00	-
Company Deposits	9.0625	9.1875	9.0625	9.0625	9.00	9.0625
Finance House Deposits	-	-	9.00	9.0625	9.125	9.25
Treasury Bills (Buy)	-	-	8.875	8.875	-	-
Bank Bills (Buy)	-	-	8.875	8.75	8.5625	-
Fine Trade Bills (Buy)	-	-	9.50	9.375	9.25	-
Dollar CDs	-	-	6.90-6.85	7.35-7.30	7.45-7.40	7.85-7.80
SDR Linked Deposits	-	-	6.00	6.375	6.375	6.5625
ECU Linked Deposits	-	-	7.375	7.25	7.25	7.375

Treasury Bills (sell); one-month 8.75 per cent; three months 8.375 per cent; Bank Bills (sell); one-month 8.75 per cent; three months 8.75 per cent; Treasury Bills; Average tender rate of discount 8.2877 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day OCTOBER 30, 1987. Agreed rates for period NOVEMBER 25 to DECEMBER, 1987, Scheme I: 11.36 p.c. Schemes II & III: 11.29 p.c. Reference rate for period OCTOBER 1 to OCTOBER 30, 1987, Scheme IV: 10.094 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10.5 from NOVEMBER 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.5 per cent; one-three months 8.00 per cent; three-six months 8.00 per cent; six-nine months 8.00 per cent; nine-twelve months 8.00 per cent; Under £100,000 8.00 per cent from November 5, Deposits withdrawn for cash 5.00 per cent.

LONDON STOCK EXCHANGE

Gilt-edged and equities close lower

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

*New time dealings may take place from 9.00am two business days earlier.

THE CAUTIOUS recovery of confidence in the UK securities markets slackened off somewhat yesterday as the City accepted that the US budget deficit negotiations are likely to continue into next week. Equities ran into profit-taking from the opening as institutional investors stayed away, leaving the traders to avoid taking on stock ahead of the weekend. Gilts, with buying enthusiasm now on the wane, slipped lower in thin turnover.

The share market sagged by 42 FT-SE points at mid-session although trading conditions were described as "fairly quiet". There was little response from either equities or Gilts to the latest UK Retail Price Index or Industrial Production figures.

However, the share market, displaying its concentration on developments on the other side of the Atlantic, rallied in response to the US Retail Sales and Producer Prices statistics.

At the close, the FT-SE 100 Index was 24.2 down at 1678.3, with the market traders showing no distress as the market dipped through the 1700 level again.

The Index has climbed 3.6 per cent this week, as the rally in the US dollar has signalled improving prospects for action on the US trade and budget deficits. The market has now recovered 7.3 per cent from the low point of the current shakeout, but shows a fall of 27 per cent since Black Monday, October 19.

The stock market was enlivened at first by the planned £383m deal under which Hongkong and Shanghai Bank will take a 14.9 per cent stake in Midland Bank. The news reached London early, but initial details were uncertain. Shares in Midland surged ahead but closed off the top with City analysts generally taking a favourable view of the proposed terms. Other bank shares also rose sharply at first but proved unable to sustain their early gains after some sector specialists had pointed to the need for increased loss provisions to take account of the shakeout in securities markets.

From the market's standpoint, the proposed deal by Hongkong and Shanghai bank is encouraging, since it means the input of £383m of new cash into the marketplace - following the cash flow from the General Cinema purchase of Cadbury Scwheppes earlier this week.

But the urge to take profits after the only plus week the market has seen since the rout commenced proved irresistible. **BAT Industries, ICI, Glaxo and RTZ** all gave back part of the recovery made on Wednesday and Thursday.

Further consideration of the results disclosed this week left both **British Petroleum and Shell** on the downside. **Wellcome** turned easier as the City assessed the results.

Government bonds had a fairly lacklustre day, with the tone set by another appearance by the Japanese sellers before London opened. The longer dates ended with falls of one point, although there was little selling during the session.

Index-linked (IL) issues shed a further ⅛, taking no heed of the Retail Price Index figure. IL stocks have been responding to falls in conventional bond yields, and now appear more relaxed about inflation prospects, according to market analysts. **Beecham** shares turned in an erratic performance, closing a net 4 up at 454p after moving between 450p and 455p in hefty turnover of 6.4m shares following developments involving Eminase, the group's heart drug. A group of British cardiologists gave the drug a favourable report after taking the unusual step of halting the clinical tests because the benefits disclosed in control testing made it "unethical" to deny it to some patients in the test group.

Dr Arnab Banerji of Nomura Securities regards the Eminase news as "very positive" for Beecham, which will announce interim results next week. Beecham, reacting swiftly to Genentech's success, put its UK clinical results in front of the Federal authorities yesterday, hoping to be allowed to sell Eminase in the US by 1989.

Analysts are bullish ahead of Beecham's half-time figures, due on Thursday. Forecasts range upwards from £178m, with Mr Steve Plag of Salomon Bros topping the list with a forecast of 19 per cent rise to £185m. US holders were selling Beecham on the Genentech announcement but analysts hope for further news on Eminase' prospects on Thursday. Midland Bank shares bounded ahead on the news that Hongkong and Shanghai Bank has agreed to raise its stake in the UK clearer to 14.9 per cent. After touching 425p initially, the shares settled down to close 30 up on the day at 388p. Turnover was heavy, with 10m shares changing hands.

Once it was clear that no full bid was on the cards, the market responded favourably to the terms of the proposed deal, which indicate a minimum price of 475p a share for the Midland shares - a premium of 30 per cent on the market price ahead of the Hongkong bank's announcement.

While it was clear that negotiations between the two banks still have some way to go, investors were making some initial judgements yesterday. With bid hopes for Midland virtually extinguished, and the shares saw selling pressure yesterday when the price topped 400p. "Midland has more to gain from this move than Hongkong - at the moment, anyhow", was the view in the marketplace. The Midland Bank/Hong Kong & Shanghai news triggered an immediate mark up of the other leading banks but this was followed by widespread profit-taking and general selling and the **Barclays** settled a net 13 lower at 450p. **NatWest** were finally 5 easier at 575p, having initially edged up to 592p. **Lloyds**, regarded as the most vulnerable of the banks, apart from Midland, held on to an early gain of 5 and closed at 250p.

Royal Bank of Scotland dipped 10 to 310p amid diminished bid hopes. **Standard Chartered**, where Robert Holmes a Court's near 15 per cent holding is thought to be up for sale,m perhaps at forced sale prices, were 5 cheaper at 433p.

Merchant banks blew hot and cold. A news magazine article suggesting a possible takeover of **Morgan Grenfell** by Deutsche Bank drew a sharp denial from Morgans who said they were not in merger talks with Deutsche or any other bank. Morgan shares quickly slumped to 218p but later rallied to close a net 12 off at 233p.

Commercial Union, where Adsteam's John Spalvin is believed to have been behind the 5 per cent stake unveiled by CU last week, fell sharply to 300p at one point yesterday, unsettled by the lower than expected profit figures, but later rallied to close a net 15 off at 313p. **Royals**, whose third quarter figures also failed to come to up analysts' forecasts and where there were fears that the Spalvins 5 per cent-plus stake may be reduced in the near future, dipped back 15 to 368p. County NatWest recommend a switch elsewhere in the sector but Wood Mackenzie rate Royals a "buy" citing "the high yield good dividend growth prospects and high dividend cover". **General Accident**, despite better-than-expected figures earlier in the week, eased 23 to 820p. The easier dollar left insurance brokers with minor falls across the board. **Dewey Warren**, where Robert Holmes a Court has a direct 42 per cent stake and the latter's vehicle for expansion in financial services in the UK, failed to sustain the recent rally and dropped 16 to 103p.

Advice from broking house Wood Mackenzie that leading Brewers were a major defensive play because of a combination of modest ratings and a low risk profile fell on deaf ears. With the general drift in market values and on light profit-taking, **Guinness** gave up 79 at 259p. **Allied-Lyons** ended 6 cheaper at 333p while **Whitbread "A"**, least favoured of the major stocks, lost 5 to 269p. One or two Regional issueswere bought and **J.A.Devenish** rose 5 more to 257p. **Boddington** improved to 132p despite a "sell" recommendation.

ICI fell away to close a net ⅜ off at £10⅝. **Sears** were easily the most active stock in the stores sector and attracted a turnover of over 11m shares amid rumours that the near 8 per cent stake, held by Australia's Robert Holmes a Court, comprising around 120m shares is in the process of changing hands, via a placing, or tender. There was also talk that the holding could have been passed on to Hanson Trust. **Sears** shares dipped sharply to 124p early in the day but later rallied to close a net 4½ off at 128½p. **Burton Group**, reporting preliminary results on Thursday, were also a weak market reflecting market rumours of adverse comment in the weekend Press, and fell 13 to 219p.

Harris Queensway were a firm market and rose 7 to 116p on vague talk of a stake-building operation and takeover speculation.

GEC remained a highly active market - turnover yesterday of almost 4m shares followed a 25m turnover on Wednesday and 29m business on Thursday; there is a considerable two-way pull in the stock with a handful of powerful UK houses said to have changed from being bullish to neutral on the stock in recent days and rumours of further imminent disclosures on the investigation into the Marconi subsidiary. But there is still strong support for the shares in the market and yesterday they were only a net 1½ off at 171p.

Ferranti, where Citicorp Scrimgeour Vickers have been good buyers over the past few days, added 4 at 81p.

Many Engineerings resisted the the prevailing dull tone, including **GKN** which edged forward 5 further to 275p. Lesser kwown stocks worthy of mention were **B.Elliott**, 9 up at 72p, and **Edbro**, 15 higher at 193p. Resumption of the on-off talks between **Ratcliffe Industries** and **United Spring** lifted the latter 6 to 78p. Analysts comments on Thursday's figures helped **Staveley Industries** harden to 144p. County NatWest said the interim profits were ahead of expectations and rate the stock a "hold" for its defensive qualities. Poor interim figures took **William Cook** down 10 late to a low for the year of 100p.

Internationals, good performers over the previous three trading sessions as the dollar rallied, turned easier amid persistent, but generally modest profit-taking. **Glaxo** ran back ¼ to £10¾, and **Fisons** eased 5 to 258p. Wellcome, one of the market's best performers on Thursday when the group announced a 35 per cent profits jump, shaded 4 to 342p, after 335p. **London International**, also after excellent figures earlier in the week, gave up 7 to 1247p. **Hanson** lost 5 to 129p, while **Boots**, scheduled to announce interims on Wednesday, were a fraction off at 230p. Ahead of third quarter figures on Monday, **Unilever** were a firm market and finally 3 to the good, at 286p. A stock shortage boosted **Rank Organisation** 10 to 563p, while **British Aerospace** rose a like amount to 321p. Further consideration of the good results triggered further good demand for **BOC**, 11 up at 366p.

A good press on **Thames TV** mid-term results encouraged support for some other issues in the sector. Thames closed a further 5 up at 284p and **Yorkshire TV** rose 16 to 222p. Publicity on the previous evening's competition boosted **Miss World** 15 to 230p while revived speculative demand raised **Stanley Leisure** 38 to 220p and **Radio Clyde** 8 to 284p. **Brent Walker** gained 10 to 275p.

USM-listed **Parkway** advanced impressively after excellent annual profits, an optimistic view of prospects and news of acquisitions here and in France. A rising market on Thursday, the shares bounded 45 to settle at 240p. Elsewhere, **Metal Bulletin** recovered 10 to 148p with the help of press mention.

A report that **MEPC** was negotiating the purchase of Pan American Properties from British Coal pensions funds for around £300m made little impact, the shares closing 5 off at 430p. **Control Securities** firmed initially on a press suggestion of a possible bid but reacted to end slightly easier on balance at 44p after the company mentioned, **Phoenix Property**, issued a denial. The latter slipped 5 to 95p.

Miscellaneous Financial issues presented few features. **British & Commonwealth** followed the main trend and lost 13 to 315p while **Mercury Asset Management** slipped 15 to 255p. On the other hand, **AC Holdings** regained 75 further to 500p after the result of the recent rights issue. This was not underwritten so the majority of the shares offered will not be allotted. Revived speculative interest took **Westpool Investment** up 13 to 92p and **London & Associated** 8 higher to 53p.

The oil and gas sector gave ground after a reasonably bright start to the day. Another less than exciting performance by crude oil prices - December Brent again dipped below $18 a barrel and the rather uninspiring third quarter results from **BP** and the **Royal Dutch/Shell** groups triggered general persistent selling across the board.

Turnover in BP was a brisk 11m in the old - finally 9 off at 247p - and 54m in the "new" which eased a penny to 78½p, after Press stories that the Kuwaiti Investment Office stake may have been increased from the 4.9 per cent revealed last Friday week.

Shell were 10 cheaper at 998p despite a handful of brokers recommendation to switch into the latter from BP.

British Gas slipped 6 to 129p after a turnover of 4.8m, having edged up to 138p during early exchanges, on fears of a Monopolies Commission inquiry into gas pricing policy and ahead of the interim figures expected on Thursday.

Elsewhere, profit-taking left **Ultramar** 15 off at 167p, while **Enterprise** - where **LASMO** boosted its stake earlier in the week to 24.64 per cent - were 5 off at 228p; LASMO, boosted in mid-week by stories that RTZ may eventually bid for the group, lost 8 to 237p.

Business in traded options showed a substantial contraction to just over half Thursday's levels. Calls of 12,521 and puts of 6,080 gave an overall total of 18,601 contracts. The FT-SE contract attracted 613 calls and 1,276 puts.

FINANCIAL TIMES STOCK INDICES

	Nov. 13	Nov. 12	Nov. 11	Nov. 10	Nov. 9	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.63	91.14	90.99	92.32	92.34	81.98	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.36	95.66	95.11	95.44	95.47	88.54	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1317.1	1328.8	1290.0	1296.9	1252.0	1293.2	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	288.2	282.6	268.6	265.5	277.6	325.1	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.69	4.65	4.78	4.97	5.08	4.39				
Earnings Yld. % (full)	11.60	11.52	11.88	12.32	12.42	10.19				
P/E Ratio (net)(*)	10.54	10.63	10.30	9.92	9.84	12.00				
SEAQ Bargains (5pm)	42,229	56,334	39,730	39,569	30,734	25,788				
Equity Turnover (£m)	-	1693.53	1399.74	1,366.55	924.66	1050.52				
Equity Bargains	-	58,482	48,892	42,132	34,261	41,152				
Shares Traded (ml)	-	804.8	653.5	713.5	456.7	520.8				

S.E ACTIVITY

Indices	Nov.11	Nov.10
Gilt Edged Bargains	139.5	167.9
Equity Bargains	378.6	284.4
Equity Value	3423.1	2829.2
5-Day average		
Gilt Edged Bargains	170.3	177.2
Equity Bargains	289.6	269.1
Equity Value	2732.9	2561.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1318.5	1319.3	1316.1	1299.4	1298.4	1311.6	1314.0	1314.0

Day's High 1329.2 Day's low 1297.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.39.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
Allied Lyons (*330)	300	46	60	70	18	22	27
	330	25	40	55	30	37	43
	360	15	27	40	50	55	58
Brit. Airways (*145)	130	28	37	38	10	17	20
	140	20	30	35	17	22	26
	160	11	20	27	25	32	35
[illegible]							

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*237)	220	22	42	57	6	20	30
	240	12	30	45	15	30	40
	260	2	22	35	30	43	55
P. & O. (*473)	420	58	80	100	3	15	20
	460	25	50	68	12	33	38
	500	8	30	48	40	55	60
[illegible]							

November 13. Total Contracts 18,601. Calls 12,521. Puts 6,080. FT-SE Index Calls 613 Puts 1,276. *Underlying security price.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks dealt in for the call included Dares Estates, Control Secs, Kleinwort Benson, Southend Stadium, Abaco, Blacks Leisure, Priest Bens, N. Kalgurli, Pentland, Dewey Warren, Chuang, BP, Astra Hldgs, Amal Finance, Johnson Firth Brown, TSB, Wm Morris, Camford Eng, Eagle Trust, ERA, Tranwood.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).
INDUSTRIALS (1) Feedex Agricultural.
NEW LOWS (23).
CANADIANS (2) Augmitto Expln., Bow Valley. BANKS (2) Rothwells, Sec. Pacific. BUILDINGS (1) Redland Cap. 7¾pc., CHEMICALS (1) Perstorp AB "B", STORES (1) Freemans, ELECTRICALS (3) AB Electronic, Eurotherm Intl., Multitone Elect., ENGINEERING (3) Airship Inds., Cook (Wm.), Dale Group, INDUSTRIALS (4) AGA "AB", Computer People, BIS, Fenner (J.H.), LEISURE (1) Castle Communications, NEWSPAPERS (1) Assoc. News, PROPERTY (1) Waterglade International., TRUSTS (2) Edinburgh Fund Managers, UTC Group, MINES (1) Libanon.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ◆ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

Corporation and County Stocks No. of bargains included 6

London County 2½% Cons Stk 1920(or after) – £25 (11No87)
Greater London Council 6¾% Stk 90/92 – £88¾ 9¾ (11No87)
Birmingham District Council 11½% Red Stk 2012 – £110 (9No87)
Blackburn Corp 3½% Ind Stk – £28 (10No87)
Islington Corp 12.65% Red Stk 2007 – £116½ (9No87)

Banks and Discount Companies
No. of bargains included 2080

Bank of Ireland(Governor & Co.of)7% Ln Stk 86/91 – £78 (11No87)
Barclays Bank PLC 7¾% Uns Cap Ln Stk 86/91 – £90 (10No87)
8¾% Uns Cap Ln Stk 88/98 – £94
12% Uns Cap Ln Stk 2010 – £113¼ ¾ ½ 4
16% Uns Cap Ln Stk 2002/07 – £140¾◆

UK Public Boards

Foreign Stocks, Bonds, etc–(coupons payable in London)

Sterling Issues by Overseas Borrowers

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Financial Trusts, Land, etc

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Insurance

Investment Trusts

Property

Plantations

Railways

Shipping

Utilities

Water Works

USM Appendix

Fairway (London) PLC New Ord 5p (Fp/LA-9/12/87) – 80◆
Gibbs Mew PLC Ord 25p – 228
Hornby Group PLC Ord 5p – 138 8
Johnson Fry PLC Ord 10p – 120
Marcol Group PLC Ord 5p – 60
NKF Group PLC Ord 10p – 76 8 80 2 5
Randsworth Trust PLC 7% Cum Cnv Red Prf £1 – 83 5 8
Rivlin PLC 5.125% (Net) Cnv Cum Red Prf £1 – 83 6 8
Ross Consumer Electronics PLC Ord 10p – 175 (10No87)
Security Archives (Hldgs) PLC New Ord 20p (Fp/LA-20/11/87) – 160 5 7

Sheild Group PLC 5.84% Net Cnv Cum Red Prf £1 – 75 80 1
Sigmex International PLC Ord 10p – 58
Stanhope Properties PLC Ord 25p – 151½ 5 6 7 8 9 60 60 2 4 4 5 7
New Ord 25p (Fp/LA-12/11/87) – 125½ ¾ (11No87)
Swindon Private Hospital PLC Ord £1 – 1[illegible] (9No87)
Tubular Exhibition Group PLC New Ord 5p (Fp/LA-20/11/87) – 21 2
URS International Inc Shs of Com Stk $0.[illegible] – 58

The Third Market Appendix
No. of bargains included 112

Kemp (P.E.) Hldgs PLC Ord 5p – 46 7

RULE 535 (4) (a)

Bargains marked in securities where pricipal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Abitibi-Price 900 (6/11)
Acorn Securities $A0.726◆p 30◆ 26 27½ 30 32 33 34 35 36
Alkane Exploration 6 (9/11)
American Barrick Resources Corporation Com NPV $12½◆
Ames Department Stores $10.58◆ (9/11)
Ampol Exploration 88◆ 96◆ 97 102
Amsterdam-Rotterdam Bank Fl 61.6
Aust. Development 70 A$1.63 (11/11)
Aust. Oil & Gas 50
Brush Wellman £13½
C.S.F. (Thomson-C.S.F.) Fr 749.83
Central Kalgoorlie Gold Mines (A$0.25) 13◆ (11/11)
Central Norseman Gold 46◆ 64 A$1.42 1.455 1.65
Cerebos Pacific S$4.14 (6/11)
Churchill Resources 15◆ (10/11)
Cold Storage (Malaysia) Bad 95◆
Conex Aust. 3 (9/11)
Cons. Petroleum Australia 36
Daicel Chemical Industries Y590

Rangers FC £12½
Shanks & McEwen 600 10 (9/11)
Southern Newspapers 330 (11/11)
Weetabix A (non-vtg.) 345 50
Wolverhampton Racecourse 275 (9/11)

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Kenmare Resources 25 6 ½ 7

By permission of the Stock Exchange Council

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 12 1987					WEDNESDAY NOVEMBER 11 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	89.41	+4.2	75.42	87.12	4.68	85.80	71.50	83.54	180.81	85.80	91.52
Austria (16)	89.44	+0.9	75.45	78.36	2.67	88.66	73.89	77.20	102.87	85.53	93.01
Belgium (48)	100.41	+1.8	84.70	87.65	5.48	98.59	82.17	85.10	134.89	96.19	95.11
Canada (127)	102.19	+2.4	86.20	97.49	3.17	99.78	83.15	95.15	141.78	98.15	100.13
Denmark (38)	107.96	−0.5	91.07	96.10	3.12	108.51	90.43	95.37	124.83	98.18	94.92
France (120)	82.87	+7.1	69.91	74.78	3.71	77.39	64.49	69.01	121.82	77.39	98.59
West Germany (93)	75.45	+5.6	63.65	66.60	2.90	71.46	59.55	62.27	104.93	68.91	93.02
Hong Kong (46)	81.68	+3.7	68.91	81.81	5.96	78.75	65.63	78.92	158.68	75.82	88.23
Ireland (14)	105.32	+9.5	88.85	94.41	4.84	96.20	80.17	85.49	160.22	96.20	90.38
Italy (95)	73.76	+1.4	62.22	68.91	2.82	72.76	60.64	67.06	112.11	72.04	100.49
Japan (458)	128.88	+1.4	108.72	111.12	0.62	127.15	105.96	108.71	161.28	100.00	90.26
Malaysia (36)	100.48	+0.6	84.76	96.84	3.71	99.85	83.21	95.94	193.64	98.24	100.84
Mexico (14)	199.57	+0.3	168.35	368.21	0.81	198.92	165.78	366.80	422.59	99.72	96.00
Netherland (37)	99.31	+6.2	83.77	86.55	5.24	93.47	77.90	80.44	131.41	87.70	95.77
New Zealand (23)	75.99	−4.0	64.10	65.34	4.81	79.19	65.99	67.57	138.99	75.99	94.76
Norway (24)	110.70	+6.0	93.38	96.61	2.85	104.47	87.06	90.57	185.01	96.03	104.85
Singapore (27)	94.48	+2.4	79.70	89.16	2.69	92.30	76.92	86.90	174.28	90.19	101.36
South Africa (61)	122.95	+3.6	103.72	88.86	4.81	118.66	98.89	85.76	198.09	100.00	109.49
Spain (43)	121.17	+0.4	102.22	104.61	3.96	120.65	100.55	102.83	168.81	100.00	84.53
Sweden (34)	92.84	+4.9	78.32	83.73	2.74	88.50	73.76	79.40	136.64	88.50	103.96
Switzerland (53)	79.76	+4.5	67.29	69.11	2.45	76.36	63.64	65.10	111.11	73.65	92.20
United Kingdom (332)	121.11	+2.6	102.17	102.17	4.53	118.09	98.41	98.41	162.87	99.65	94.42
USA (582)	101.31	+2.6	85.46	101.31	3.64	98.75	82.30	98.75	137.42	92.83	100.94
Europe (947)	98.14	+3.5	82.79	85.23	3.98	94.79	78.99	81.30	130.02	92.25	94.50
Pacific Basin (679)	125.58	+1.5	105.94	109.14	0.85	123.79	103.16	106.72	158.77	100.00	90.34
Euro—Pacific (1626)	114.65	+2.2	96.71	99.62	1.92	112.22	93.52	96.58	143.65	100.00	91.98
North America (709)	101.35	+2.6	85.50	101.12	3.61	98.80	82.34	98.57	137.55	93.20	100.90
Europe Ex. UK (615)	83.88	+4.4	70.76	74.65	3.48	80.32	66.94	70.57	111.97	78.89	94.57
Pacific Ex. Japan (221)	85.79	+3.1	72.37	83.39	4.97	83.17	69.31	80.77	164.03	83.17	91.33
World Ex. US (1828)	114.36	+2.2	96.47	99.60	1.99	111.92	93.27	96.58	143.38	100.00	92.46
World Ex. UK (2078)	108.14	+2.3	91.22	100.12	2.36	105.70	88.09	97.35	138.82	100.00	95.90
World Ex. So. Af. (2349)	109.19	+2.3	92.11	100.35	2.56	106.72	88.94	97.49	139.47	100.00	95.67
World Ex. Japan (1952)	99.91	+2.9	84.28	94.86	3.79	97.06	80.89	91.75	134.22	95.64	98.40
The World Index (2410)	109.28	+2.3	92.19	100.29	2.58	106.80	89.00	97.43	139.73	100.00	95.75

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	65	8.50B	—	—	3	38	$465.60
GOLD C	$480	244	1.70	16	18	—	—	"
GOLD C	$500	184	0.30B	24	10.30	35	18.10	"
GOLD P	$400	—	—	88	3.50	—	—	"
GOLD P	$440	37	0.30	390	8.50	3	13.50	"
GOLD P	$460	101	4	23	16.50	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
EOE Index C	Fl.185	168	4.50	67	10.50	19	13A	Fl.180.13
EOE Index C	Fl.200	30	0.90	66	6	127	8	"
EOE Index P	Fl.180	—	—	152	13	63	14A	"
EOE Index P	Fl.185	159	9	64	15.50A	9	18A	"
$/Fl C	Fl.190	40	1.90	3	3	254	4.50	Fl.190.65
$/Fl C	Fl.195	259	0.50A	110	1.40	25	2.60	"
$/Fl C	Fl.200	—	—	26	0.60B	125	1.30	"
$/Fl P	Fl.185	44	0.80	477	1.40	57	2.50	"
$/Fl P	Fl.190	19	1.50	184	3.50A	10	4.50	"
$/Fl P	Fl.195	13	3.80	92	5.80	—	—	"
$/Fl P	Fl.200	10	9.20	212	9.30	—	—	"
$/Fl P	Fl.205	—	—	28	14	—	—	"
$/Fl P	Fl.230	—	—	500	40A	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	Fl.200	375	2.30	26	3	12	4	Fl.190.65
$/Fl P	Fl.190	35	5.55	3	8.30	1	9.30	"
$/Fl P	Fl.195	81	8.50	—	—	—	—	"
$/Fl P	Fl.215	—	—	—	—	500	28.50	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.40	395	3.50	55	4.90	50	6	Fl.40.70
ABN P	Fl.40	361	3.40	124	7.50	—	—	"
AEGON C	Fl.65	30	2.30	3	4	—	—	Fl.57.70
AEGON P	Fl.85	44	29	47	27.50	—	—	"
AHOLD C	Fl.80	50	2.80	8	4.20	—	—	Fl.72.80
AHOLD P	Fl.65	59	3.50	—	—	—	—	"
AKZO C	Fl.110	349	4.20	87	7.50	10	12	Fl.93
AKZO P	Fl.80	455	4.90	14	6	8	10	"
AMEV C	Fl.50	56	1.50	30	2.50	1	3.90	Fl.43
AMEV P	Fl.40	5	3.90	205	5	—	—	"
AMRO C	Fl.65	376	3.20	2	5.50	—	—	Fl.62.60
AMRO P	Fl.60	214	2.70	20	3.60B	—	—	"
ELSEVIER C	Fl.45	285	3.90	114	4.60	3	6	Fl.43.10
ELSEVIER P	Fl.55	170	15	—	—	153	16	"
GIST-BROC. C	Fl.30	165	4.20	16	5.50	—	—	Fl.30.80
GIST-BROC. P	Fl.30	295	3.40	2	4.50	—	—	"
HEINEKEN C	Fl.140	76	8	3	11.80	10	15	Fl.130
HEINEKEN P	Fl.110	82	8.40A	2	7.50B	—	—	"
HOOGOVENS C	Fl.35	35	1.70B	20	2.70	11	4	Fl.29
HOOGOVENS P	Fl.25	112	2	15	2.80	—	—	"
KLM C	Fl.35	335	2	30	3.80	15	5	Fl.30
KLM P	Fl.45	588	15.50B	—	—	645	17	"
NEDLLOYD C	Fl.150	32	4.50	67	9	—	—	Fl.127
NEDLLOYD P	Fl.120	29	10.90	—	—	—	—	"
NAT NED C	Fl.60	345	2	39	38	17	3.20	Fl.52.10
NAT NED P	Fl.45	315	2.50	—	—	—	—	"
PHILIPS C	Fl.35	740	1.70	567	2.70	73	3.50	Fl.31
PHILIPS P	Fl.30	1008	3	34	3.90	26	5	"
ROYAL DUTCH C	Fl.220	421	8.10	51	13.10	10	17	Fl.204.50
ROYAL DUTCH P	Fl.190	369	6	66	10.10	—	—	"
ROBECO C	Fl.95	57	2	—	—	—	—	Fl.85.70
ROBECO P	Fl.80	54	5.30	—	—	2	8.50	"
UNILEVER C	Fl.120	599	3	78	10	19	11.70A	Fl.107
UNILEVER P	Fl.90	305	4.50	21	7.50	36	11	"

TOTAL VOLUME IN CONTRACTS: 41,397

A=Ask B=Bid C=Call P=Put

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday November 12 1987

Publishing and Printing	+16.84	All-Share Index	+ 1.66
Mining Finance	+14.11	Industrial Group	+ 1.53
Property	+12.09	Other Groups	+ 1.30
Overseas Traders	+11.39	Chemicals	+ 0.13
Insurance (Composite)	+ 7.96	Other Industrial Materials	− 0.07
Oils and Gas	+ 7.84	Electricals	− 0.28
Health and H'shold Products	+ 7.22	Financial Group	− 0.29
Textiles	+ 6.74	Conglomerates	− 1.64
Food Manufacturing	+ 6.69	Brewers and Distillers	− 1.67
Metals and Metal Forming	+ 6.33	Capital Goods	− 3.79
Food Retailing	+ 6.31	Electronics	− 4.63
Insurance (Life)	+ 6.09	Gold Mine Index	− 5.52
Shipping and Transport	+ 5.78	Merchant Banks	− 5.53
Telephone Networks	+ 5.44	Packaging and Paper	− 6.64
Consumer Group	+ 4.53	Motors	−10.05
Leisure	+ 4.52	Banks	−10.07
Building Materials	+ 3.09	Investments Trusts	−11.73
Contracting, Construction	+ 2.63	Agencies	−13.67
500 Share Index	+ 2.42	Mechanical Engineering	−20.37
Stores	+ 2.12	Insurance Brokers	−42.29

BANK RETURN

BANKING DEPARTMENT	Wednesday November 11, 1987	Increase (+) or decrease (−) for week	
LIABILITIES	£		£
Capital	14,553,000	—	—
Public Deposits	93,860,949	+	258,784
Bankers Deposits	1,142,254,589	+	97,220,269
Reserve and other Accounts	1,857,050,800	−	93,756,359
	3,107,719,338	+	3,722,694
ASSETS			
Government Securities	943,908,181	+	82,585,000
Advance and other Accounts	1,023,435,887	−	423,085,398
Premises Equipment & other Secs.	1,131,251,039	+	339,588,559
Notes	8,855,249	+	4,627,426
Coin	268,982	+	7,113
	3,107,719,338	+	3,722,694

ISSUE DEPARTMENT			
LIABILITIES	£		£
Notes in Circulation	13,241,144,751	−	24,627,426
Notes in Banking Department	8,855,249	+	4,627,426
	13,250,000,000	−	20,000,000
ASSETS			
Government Debt	11,015,100	—	
Other Government Securities	8,619,397,887	−	883,115,107
Other Securities	4,619,587,013	+	863,115,107
	13,250,000,000	−	20,000,000

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	4	103	8	214	329	29
Corporations, Dom. and Foreign Bonds	1	33	20	61	68	141
Industrials	535	464	561	2,592	2,926	2,294
Financial and Props	193	174	260	1,029	1,137	969
Oils	41	36	34	200	193	162
Plantations	4	1	9	14	14	42
Mines	91	19	87	335	283	367
Others	148	35	79	457	489	355
Totals	1,017	865	1,058	4,902	5,439	4,359

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk.	9	Consolidated Cred.	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	★ 9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp.	§11.1
Bank Credit & Comm.	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	[illegible]	Robert Fraser & Ptrs.	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp.	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst.	9		
Beneficial Trust Ltd	10½	● Hill Samuel	§ 9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. ★ 7-day deposits 4%. Sureties 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	10,000	English China Clays	790	Plessey	2,400
Allied-Lyons	2,200	Enterprise Oil	162	Prudential	317
Amstrad	1,600	Fisons	3,700	Racal	5,200
Argyll Group	2,800	Gen. Accident	2,100	Rank Org.	344
Assoc. Brit. Foods	206	Gen. Elect	3,900	RMC	636
BAA	6,300	Glaxo	2,200	RHM	326
BAT	4,700	Globe Investment	4,600	Reckitt & Col.	425
BET	5,300	Granada	470	Redland	752
BICC	817	Grand Met.	1,400	Reed Intl.	1,800
BOC	4,100	GUS A	338	Reuters	1,200
BPB Inds	1,700	Guardian R.E.	658	RTZ	2,000
BTR	3,800	GKN	1,200	Rolls-Royce	12,000
Barclays	1,900	Guinness	3,300	Rothmans	586
Bass	245	Hammerson	578	Rowntree	1,400
Beecham	6,300	Hanson Trust	6,200	Ryl Bank Scotland	1,500
Blue Arrow	3,300	Hawker Sidd	1,400	Royal Insurance	1,500
Blue Circle	1,900	Hillsdown Hldgs	1,700	STC	3,200
Boots	2,300	IMI	380	Saatchi & Saatchi	2,600
Brit. Airways	4,200	ICI	2,500	Sainsbury	3,500
Brit. Aero	8,100	Jaguar	2,200	Scott & Newcastle	827
Brit. & Comm.	1,000	Ladbroke	5,400	Sears	13,000
British Gas	4,200	Land Securities	2,200	Sedgwick	2,100
Britoil	3,900	Laporte	174	Shell Trans	3,000
BP	11,000	Legal & Gen.	938	Smith & Nephew	1,800
Brit. Telecom	7,300	Lloyds Bank	2,700	Standard Chart.	1,100
Bunzl	758	LASMO	638	Storehouse	2,100
Burmah Oil	650	Lonrho	2,200	Sun Alliance	95
Burton	9,500	Lucas	498	T & N	360
Cable & Wire	2,300	MEPC	1,100	TSB	2,900
Cadbury Schwps	2,200	Marks & Spencer	1,700	Tarmac	1,900
Coats Viyella	1,600	Maxwell Comm.	3,800	Tesco	2,000
Comm. Union	3,000	Metal Box	730	Thorn EMI	2,100
Cons. Gold	175	Midland Bank	10,000	Trafalgar House	5,000
Cookson	214	NatWest Bank	2,000	T'house Forte	1,200
Country & New.T	0	Next	2,400	Ultramar	74
Courtaulds	912	Northern Foods	1,000	Unilever	3,100
Dalgety	72	Pearson	444	United Biscuits	667
Dee Corpn	3,800	Pearl Assurance	69	Wellcome	2,400
Dixons Group	1,400	P & O	555	Whitbread A	1,100
		Pilkington Bros	2,900	Woolworth	3,200

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd —Contd.

Gilt	94.5	99.9	-0.3	7.09
(Accum Units)	112.3	112.8	-0.3	7.09
Global Fund	38.5	40.7	+0.7	0.84
(Accum Units)	38.5	40.7	+0.7	0.84
High Income Fund	41.3	43.4xd	-3.3	5.85
(Accum Units)	42.2	44.6xd	-3.4	5.85
High Interest Fund	47.3	49.8xd	+0.0	9.04
(Accum Units)	48.5	51.3xd	-0.1	9.04
Income	90.9	96.1	-4.0	4.25
(Accum Units)	105.9	112.0	-4.0	4.25
International	238.5	252.3	+8.8	2.09
(Accum Units)	298.6	315.9	+11.3	2.09
Japan	165.8	175.4	+11.0	2.22
(Accum Units)	170.2	180.1	+11.3	2.22
Pacific Fund	33.8	35.7	+1.3	0.19
(Accum Units)	33.8	35.7	+1.3	0.19
Recovery	217.5	230.1xd	-12.7	3.14
(Accum Units)	238.2	252.0xd	-12.7	3.14
UK Smaller Co's Fund	40.7	43.0	-1.9	2.20
(Accum Units)	41.1	43.4	-2.0	2.20

Merlin Fund Mngment Ltd
30 St James St, London SW1A 1HB 01-925 1277
Merlin Nov 11 405.0 411.05 — 2.04

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	41.5	44.1	-0.1	6.80
Accum Units	42.0	44.6	-0.1	6.73
UK Growth Fund Acc	40.8	43.4	+0.8	2.30
Global Income Fund	43.6	46.3	+0.3	4.32
Accum Units	43.6	46.3	+0.5	4.32
Global Growth Fund	35.4	37.8	+2.6	0.46

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

[illegible]

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3962

PM Equity Growth	92.4	98.3	-0.1	1.38
PM Income and Growth	81.3	86.5	-1.0	3.81
PM N American Growth	40.9	43.5	+1.5	0.46
PM European Growth	37.3	39.6	+1.7	0.78
PM Japan Growth	39.2	42.9	+3.0	0.42
PM Overseas Growth	42.6	44.6	+1.6	0.58

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

[illegible]

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

[illegible]

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

[illegible]

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

Equity & Law International Fund Mgs Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	90.6	96.3	+0.3	–
Far Eastern Equity	$1.851	1.969	+0.019	–
North American Equity	$0.884	0.940	–0.002	–
UK Equity	115.6	122.9	+4.1	–
Global Equity	76.5	81.3	+1.8	–
UK Gilt & Fixed Int	104.7	111.3	–0.2	–
Deutschmark Deposit	DM4.947		–	–
Dollar Deposit	$1.009		–	–
Sterling Deposit	102.6		+0.1	–
Yen Deposit	Y495.4		+0.1	–
Managed Currency	110.3	117.3	+0.4	–

Equity & Law International Life Assur Co Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

Ermitage Management Ltd
19 Royal Square, St Helier, Jersey, CI 0534 76007

Ermitage Management Cayman Ltd
PO Box 2192, Grand Cayman, BWI

Eurolife Assurance Group
5-11 Mortimer St, London W1N 7RH 01-631 0778

Euromobiliare Fd Mngt (Guernsey) Ltd
PO Box 105, St Peter Pt, Guernsey 0481 710607

S.G. Europe Obligations SA
9 Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury House, London Wall EC2M 5TA

European Life (Channel Islands) Ltd
Bordage Hse., St Peter Port, Guernsey 0481 710911

Fixed Interest	109.50	110.61	–1.87	9.03
Equity	80.94	81.75	–7.01	–
Mining	77.42	78.19	–0.88	–
Managed Currency	104.82	105.87	+2.12	–
Property	103.66	104.71	+0.13	–
Precious Metals & Gas	96.58	97.56	+2.92	–

FFM Futures Fund Ltd

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	97	Treas 7¾pc 1985-88‡‡	99	.....	7.77	8.53
102	99	Exch 10½pc '88	100xd	.....	10.41	8.43
101	98	Treas 9¾pc Cv '88	100xd	.....	9.69	8.66
97	93	Transport 3pc '78-88	97		3.07	6.66
101	98	Treas. 9½pc '88	100	.....	9.44	8.72
105	101	Treas 11½pc 1989	103		11.16	8.79
102	97	Treas 9½pc Cnv 1989	101		9.40	8.67
96	89	Treas 3pc 1989	95xd		3.13	6.02
104	99	Treas 10½pc 1989	102xd		10.25	8.82
103	98	Exch 10pc 1989	101		9.83	8.84
105	100	Exch 11pc 1989	103		10.61	8.81
96	89	Treas 5pc 1986-89	95		5.23	7.47
108	99	Exch 10½pcCv '89	104xd		9.75	7.43
111	104	Treas 13pc 1990‡‡	108		12.05	8.85
106	100	Exch 11pc 1990‡‡	104		10.56	8.87
110	103	Exch. 12½pc 1990	107		11.64	8.91
92	84	Treas. 3pc 1990	92xd	.....	3.26	6.55
100	93	Treas 8¼pc 1987-90‡‡	99xd		8.32	8.64
105	97	Treas. 10pcCv 1990	102		9.73	8.89
91	81	Exch 2½pc 1990	90xd		2.78	6.18
110	102	Treas 11¾pc 1991	107½		10.93	8.94
95	87	Funding 5¾pc '87-91‡‡	93xd		6.13	7.84
90	80	Treas. 3pc 1991	89xd		3.37	6.58
110	98	Treas 10pc Cv '91 ‡‡	105		9.52	8.33
109	101	Exch. 11pc 1991	106		10.30	8.89
99	91	Treas. 8pc 1991	97xd		8.23	8.84
116	107	Treas 12¾pc 1992‡‡	113		11.29	8.94
106	97	Treas 10pc 1992	103		9.65	8.93
99	90	Treas. 8pc 1992 ‡‡	97		8.70	10.25
108	99	Treas 10½pc Cv 1992‡‡	105xd		9.94	8.95
86	79	Treas. 3pc 1992	85xd		3.74	8.03
115	105	Exch. 12¼pc '92	112		10.91	9.01
121	110	Exch 13½pc 1992	117		11.52	9.03

Five to Fifteen Years

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
107	97	Treas 10pc 1993‡‡	104		9.60	9.01
118	107½	Treas 12½pc 1993‡‡	114		10.88	9.05
95	82	Funding 6pc 1993‡‡	91		6.59	7.95
125	113	Treas 13¾pc 1993‡‡	121xd		11.37	9.14
129	117	Treas 14½pc 1994‡‡	125		11.57	9.10
124	112	Exch 13½pc 1994	120		11.20	9.18
107	97	Treas. 10pc Ln. 1994‡‡	104xd		9.57	9.07
120	106	Exch. 12½pc 1994	116		10.76	9.21
103	92	Treas 9pc 1994‡‡	100xd		9.01	9.01
119	105	Treas 12pc 1995	114		10.51	9.24
84	76	Exch 3pc Gas 90-95	81xd	.....	3.68	6.14
109	97	Exch. 10¼pc 1995	105		9.71	9.21
123	110	Treas 12¾pc 1995‡‡	119xd		10.67	9.24
130	116	Treas. 14pc '96	125		11.12	9.38
102	92	Treas 9pc 1992-96‡‡	99		9.05	9.13

BRITISH FUNDS—Contd

Undated

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45	39	Consols 4pc	44		9.10	–
41	34	War Loan 3½pc‡‡	39xd		8.83	–
52	46	Conv. 3½pc '61 Aft.	51		6.85	–
34	29	Treas. 3pc '66 Aft.	32		8.99	–
29	24	Consols 2½pc	27		9.04	–
29	24	Treas. 2½pc	27		8.96	–

Index-Linked

1987 High	Low	Stock	(b)	Price £	+ or –	(1)	(2)
132	125	Treas. 2pc '88	(297.1)	132xd	.....	–	–
119	108	Do. 2pc '90	(333.9)	118		0.62	1.82
101	93	Do. 2pc '92‡‡	(385.8)	99		1.91	2.56
129	119	Do. 2pc '96	(267.9)	127		3.46	3.77
111	96	Do 2½pc '01	(308.8)	107		3.77	4.04
110	94	Do. 2½pc '03	(310.7)	104xd		3.80	4.04
113	94	Do. 2pc '06	(274.1)	108		3.87	4.06
108	89	Do. 2½pc '09	(310.7)	99xd		3.87	4.05
113	93	Do. 2½pc '11	(294.1)	103		3.85	4.03
95	76	Do. 2½pc '13	(351.9)	85		3.80	3.97
103	83	Do. 2½pc '16	(322.0)	93		3.74	3.91
101	81	Do. 2½pc '20	(327.3)	91		3.65	3.81
86	68	Do. 2½pc '24‡‡	(385.3)	77		3.57	3.72

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for March 1987: 100.6 and for October 1987: 102.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113	97	African Dv Bk 11¼Ln 2010	106	–1	10.42	10.33
109	93	Asian Dev Bk 10¼pcLn2009	102	–1	10.04	10.02
136	117	Australia 13½pc 2010	127	–1	10.56	10.29
118	100	Do. 11¾pcLn2015	116	–1	10.34	10.27
115	99	Euro Inv Bk 11pc Ln 2002	108½	–1	10.14	9.89
110	94	Do. 10¼pc2004	104		9.98	9.88
126	109	Int-Am Dev Bk 12½pc 2003	118xd	–1	10.55	10.07
104	88	Do. 9¾pcLn 2015	97		10.03	10.04
97	83	Mlysia 10¾pcLn 2009	93xd		11.47	11.52
115	98	NZ 11½pc 2008	108xd		10.39	10.28
123	100	Do 11½pc 2014	111	–1	10.35	10.26
130	100	Sweden 13½pc Ln 2010	128		10.50	10.20
102	96	Utd. Mexican States 16½pc	102xd		16.16	13.40

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109	103	Birmingham 13½pc 1989	106½xd		12.68	9.93

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45xd		3.50	17.42
52	40	Do. 6pc 28 Stb. Ass.	45xd	.....	3	16.37
50	45	Do 4pc Mixed Ass.	45xd	.....	2	14.40
66	58	Hung. '24 Ass	65	.....	2.75	14.23
146½	122¾	Hydro Quebec 15pc 2011	138¼	–1	15.00	10.52
136½	115½	Iceland 14½pc Ln 2016	126½xd	–1	14.50	11.35
103½	94	Ireland 9¾pc '91-96	100¼xd		9.75	10.93

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	24	Abbott Laboratories	27		$1.00	–	2.1
40	20	Alcoa $1	24	+1	$1.20	–	2.8
18	524p	Allegheny & W $0.01	648p	+43	30c	–	2.8
19	7	Amax $1	9		–	–	–
30	13	Amdahl 5c	17	+1	20c	–	0.7
35	18	Amer. Cyanamid $5	21½	+1	$1.05	–	2.8
25	12	Amer. Express $0.60	14xd	+1	76c	–	3.0
12	645p	Amer Medical Int. $1	693p	+22	72c	–	6.0
22	14	American T. & T. $1	17		$1.20	–	4.1
65	43	Ameritech $1	49	+1	$4.72	–	5.5
24	14	Amfac	15		–	–	–
25	16	Anheuser-Busch $1	17xd		$2.00	–	6.5
98p	36p	AridTech	36p	.....	–	–	–
10	4	BankAmerica $1	4		–	–	–
34	16	Bankers N.Y. $10	17		$1.66	–	5.5
652p	179p	BASIX Corp.	192p	–7	12c	–	3.6
49	36	Bell Atlantic $1	40		$3.84	–	5.5
27	18	BellSouth Corp.	22		$2.04	–	5.3
11	4	Bethlehem Steel $8	7		–	–	–
20	748p	Bio-Rad Labs. Inc. 'A'	828p	+29	–	–	–
27	13	Bowater Inc.	14		80c	–	3.1
21	12	Browning-Ferris 16⅔c	14xd		40c	–	1.6
18	8	Brunswick $0.75	9		30c	–	1.8
36	19	CPC Intl. 25c	21xd		$1.24	–	3.3
25	13	CSX Corp U.S.$1.00	14		$1.16	–	4.5
25	13	CalFed Inc $1.00	13		$1.20	–	5.0
43	29	Campbell Soup 30c	32		$1.68	–	2.9
45	24	Caterpillar Inc $1.00	32xd		50c	–	0.9
28	15	Chase Manhattan $12.5	15xd		$2.16	–	8.0
32	15	Chemical New York	16		$2.72	–	9.6
29	12	Chrysler 36¼	12xd		$1.00	–	4.6
21	562p	Citicorp $1	11xd		$1.29	–	6.0
886p	237p	CityFed Fin. Corp.	247p	–7	4c	–	0.9
33	21	Colgate-Palmolive $1	22		$1.48	–	3.8
10	462p	Colt Inds. $1	587p	+50	–	–	–
25	14	Cons Freightways $0.625	15		82c	–	3.0
398p	160p	Contl Illinois Corp $1	184p	+15	–	–	–
53½p	14p	Cont Illinois Hldgs $1	14p	.....	8c	–	32.9
266p	98p	Corporate Data Scnce.	128p	.....	–	–	–

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	22¾		$1.26	—	3.0
18¾	8¾	Rockwell Intl. $1	10[illegible]xd	+[illegible]	66c	—	3.5
30[illegible]	16¾	Sara Lee $1	20¼xd	+[illegible]	$1.00	—	2.9
11[illegible]	8⅞	Saul (B. F.) $1	9[illegible]	+[illegible]	20c	—	1.2
27½	2[illegible]	Southwestern Bell $1	21⅛	+⅛	k$2.32	—	6.3
22⅞	10½	Staley Continental	11	+½	80c	—	4.2
44[illegible]	21⅝	Sun Co. Inc. $1	28[illegible]xd	+[illegible]	$3.00	—	6.1
42¾	22¾	TRW Inc. $0.625	23[illegible]xd	–¼	k$1.60	—	3.7
37⅛	22⅞	Tenneco $5	23⅞xd	+¼	$3.04	—	7.3
220	149½	Do. 10pcLn.Stk. 91-5	150xd		10%	—	14.7
29[illegible]	16¾	Texaco $6.25	16[illegible]xd	+[illegible]	$3.00	—	10.2
74[illegible]	43¾	Time Inc. $1	45¾xd	+[illegible]	$1.00	—	1.3
20[illegible]	11	Tracor $0.33	17¾xd		40c	—	1.3
30[illegible]	15[illegible]	Transamerica $1	19xd	+[illegible]	$1.84	—	5.6
14[illegible]	1¼	Transworld Corp $5	792p	–28	20c	—	1.5
27[illegible]	12¾	TRINOVA Corp.	14⅞xd	+¼	56c	—	2.2
24[illegible]	12[illegible]	♦USX $1	15[illegible]		$1.20	—	4.3
19[illegible]	10[illegible]	Union Carbide $1	11[illegible]xd	+[illegible]	$1.50	—	7.2
37[illegible]	18¾	Utd. Technologies	20[illegible]xd	+[illegible]	$1.40	—	4.0
38[illegible]	26[illegible]	US West‡	29	+[illegible]	$3.28	—	6.5
30[illegible]	17[illegible]	Waste Management $1	20¾	+[illegible]	—	—	—
31[illegible]	13¾	Whirlpool $1.0	15	+[illegible]	—	—	—
37[illegible]	18¾	♦Woolworth $3½	21	+1[illegible]	$1.32	—	3.6

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	733	Prudential	823	–15	†29.0	—	4.8	—
[illegible]	350	Refuge 5p	408	+18	15.75	—	5.3	—
[illegible]	345	Royal	368	–15	†Q15.5	—	5.8	—
[illegible]	85	Sabre Ins. Inws.	95	.....	—	—	—	—
[illegible]	168	Sedgwick Group 10p	195	–2	12.0	1.7	8.4	8.3
[illegible]	138	Steel Burrill J.10p	145	+7	†9.0	2.0	8.5	8.1
[illegible]	405	Stewart Wr. 20p	618	.....	†13.0	2.0	2.9	21.9
[illegible]	303	Sturge Hldgs 20p	325	+12	†6.0	2.5	2.5	21.3
[illegible]	645	Sun Alliance	810	–13	†23.5	—	4.0	—
[illegible]	865	Sun Life 5p	885	.....	†28.5	—	4.4	—
[illegible]	£36¾	Taisho M EDR	£39½	+3½	Q10%	—	1.1	—
[illegible]	£14½	Torchmark $1.00	£25½	+¼	Q$1.00	—	3.8	—
[illegible]	295	Trade Indemnity	350	.....	†4.3	—	1.7	—
[illegible]	£19½	Travelers $1.25	£20½	+1½	$2.28	—	6.4	—
[illegible]	£17½	USF & G Corp $2.50	£19	+½	Q$2.48	—	7.5	—
[illegible]	£16½	USLIFE Corp. $1.0	£27¼	–½	Q$1.28	3.2	4.3	7.9
[illegible]	555	Utd Friendly B 10p	625	–5	21.0	—	4.6	—
[illegible]	202	Willis Faber 12½p	219	–5	†10.75	2.4	6.7	8.3
[illegible]	41	Windsor Secs. 10p	62	–7	†0.7	1.5	1.6	—

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	A & M Group 10p	15	–2	—	—	—	—
[illegible]	92	Airtours 10p	108	+5	Rd5.4	1.5	7.6	11.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PRINTING—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
256	95	Moorgate Group 5p	165	–5	L2.0	3.7	2.6	14.3
275	120	More O'Ferr. 10p	211	+3	†5.2	2.9	3.4	13.5
116	76	Moss Advertising 5p	81	.....	dL2.45	1.2	4.1	25.0
195	101	Norton Opax 10p	119	–2	†4.0	2.7	5.0	10.2
111	84	Do 5¾pc.Cv.Cm.Red.Pf.	84	–1	5.25	—	8.6	—
£28	£12⅞	Ogilvy Group $1	£13⅞	+⅞	Q84c	—	3.6	—
256	57	Olives Paper 20p	148	.....	—	—	—	—
345	265	Osborne & Little 5p	270	.....	3.9	3.8	2.0	18.4
128	53	Overy Communication	80	+5	d2.14	2.0	3.7	18.6
371	180	Parkway 5p	248	+45	L1.5	♦	0.9	♦
259	110	Peters (Michael)	156	.....	†2.6	2.4	2.3	25.5
258	85	Robertson Grp. 10p	130	.....	2.8	3.1	3.0	15.0
699	327	Saatchi 10p	374	–1	†b12.14	2.2	4.4	11.8
138½	84	Do. 6.3pcCnvPrf£1	90	+2	6.3%	—	9.6	—
480	52	Sepon	210	.....	‡†2.0	5.7	‡	15.1
£11¼	412½	St Ives 10p	605	+5	†5.75	5.9	1.3	18.0
£53¼	£34	Scott Paper	£36¼	+¼	Q$1.36	—	2.1	—
815	333	Shandwick 2p	375	–13	5.5	5.2	2.0	12.9
89	40	Shelton (Martin) 10p	50	+3	m1.75	2.3	4.8	12.5
485	248	Smith (David S.) 20p	323	.....	5.25	4.4	2.2	13.9
650	295	Smurfit (Jeffsn.)	343	+5	†Q22.2%	4.7	1.5	22.2
126	73	Space Planning Servs.	88	.....	1.8	2.0	2.8	24.5
58	22	Stanco Exhibition 5p	30	+4	0.29	4.0	1.3	25.3
156	85	Sterling Pub. 5p	100	+2	2.2	2.3	3.0	18.9
245	115	TMD Advertising	188	.....	2.0	3.7	1.5	25.1
96	33	Thorpac Group 2½p	40	–1	1.17	2.1	4.0	10.0
280	199	Usher Walker 10p	225	.....	†8.05	2.4	4.9	11.7
548	134	VPI Group 5p	183	–10	1.5	5.9	1.1	20.8
391	166	WCRS Group 5p	280	–5	3.13	4.3	2.1	12.7
£11¼	305	WPP Group 10p	360	.....	†3.2	4.1	1.2	28.6
360	59	Wace Group 20p	230	+5	21.0	4.9	0.6	47.2
344	173	Waddington (J.)	287	+7	6.0	2.3	4.0	13.4
575	252½	Watmoughs	425	.....	6.5	2.3	2.1	28.5
358	165	Wiley Hacker-Lamb 10p	255	–5	4.0	2.9	2.1	21.6
287	138	Yellowhammer 5p	170	.....	2.1	4.6	1.7	17.5

PROPERTY

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

OIL AND GAS

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	73	.....	Fin. 13% 97/02	£111¾	.....
Craig & Rose £1	663xd	–37	Arnotts	250	.....
Finlay Pkg. 5p	85	+2	CPI Hldgs	55	.....
Holt (Jos) 25p	£11½	+¼	Carroll Inds.	135	.....
For Ioft Steam			Dubl&Shipping	40§	.....
			Hall (R. & H.)	98	.....
			Helton Hldgs.	40	.....
IRISH			Irish Ropes	150xd	–2½
Fund 11¼% 1988	£100⅞	.....	Norish	325	.....
Nat. 9¾% 84/89	£99¾	.....	Unidare	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	12
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

FINANCIAL TIMES

Saturday November 14 1987

Ortega unveils Contra peace plan

By Stewart Fleming, US Editor, in Washington

PRESIDENT Daniel Ortega of Nicaragua yesterday presented proposals for a ceasefire in the war with the Contra rebels to the designated mediator, Cardinal Miguel Obando y Bravo, at a meeting at the Vatican Embassy in Washington. Mr Jim Wright, Speaker of the House of Representatives, was also present.

The move followed an initiative by Mr Wright to inject momentum into the Central American peace process. His action cuts across the Reagan Administration approach and has angered the White House.

The Administration's position on the Central American peace process, spelt out in a speech to Latin American foreign ministers by President Ronald Reagan on Monday, is that the US is not ready to get involved in direct talks with the Nicaraguan Government until serious negotiations with the Contras are under way. Washington has said it would then be prepared to meet representatives of the Central American states, including a Nicaraguan Government official.

On Thursday, as Mr Wright held a separate meeting with President Ortega and Contra representatives, the State Department said: "We do not think it is desirable for the United States to inject itself directly" into the ceasefire talks.

President Ortega arrived in Washington earlier in the week for a speech to the Organisation of American States. Top administration officials including President Reagan, have refused to meet him.

Mr Ortega said before the meeting that the plan would give the Contras "all the securities and guarantees that they need." He said it was "very flexible and is aimed at being effective."

Mr Wright's bold and controversial decision to take a high-profile position on the Central American conflict has given him the opportunity to influence a major foreign policy issue at a time when congressional Democrats are being more aggressive in pressing their foreign policy views.

Senators Sam Nunn and Carl Levin appear to have succeeded in forcing the White House to moderate its position on tests for the Strategic Defence Initiative. Congress had threatened to use its power of the purse to force the White House to stick to the narrow interpretation of the 1972 Anti-Ballistic Missile Treaty and limit tests for SDI. Faced with this possibility the Administration, it has been reported, has agreed not to undertake tests which would conflict with the narrow interpretation of the ABM treaty for one year.

Bonn ready for higher budget deficit next year

By David Marsh in Karlsruhe

THE WEST German Government is prepared to run a higher budget deficit next year if necessary to support the economy, Mr Gerhard Stoltenberg, the Finance Minister, said yesterday.

His comments came at the end of the latest biannual Franco-German summit in Karlsruhe at which Bonn and Paris agreed to improve co-operation in defence, economics, telecommunications and rail transport.

A Franco-German economic and financial co-ordinating committee is to be set up in January, in addition to the planned intergovernmental defence council, to strengthen the political axis between Bonn and Paris.

Mr Stoltenberg's remarks fell short of a commitment to take fresh measures to expand the economy. But they point to a slight thaw in Bonn's fiscal policy in view of dangers facing the world's economy after the turbulence on financial markets.

Mr Stoltenberg ruled out bringing forward to 1989 planned 1990 tax cuts - a move urged by critics of Bonn's policies. However, he indicated he would allow next year's budget deficit to overshoot from the planned DM 30bn(£10bn) if the sluggish economy depressed tax revenues below projected levels.

Mr Helmut Kohl, the Chancellor, said details of the co-ordinating committee had still to be decided. The constitutionally-independent Bundesbank would be involved in talks on setting it up.

President Francois Mitterrand hinted strongly that France would like to use the new body to press for further strengthening of the European Monetary System. At the joint press conference he urged "reinforcement" of the EMS as one way of increasing Europe's voice on the world monetary stage.

A joint communique at the end of the talks affirmed moves to develop security links between the two countries.

A joint Franco-German troop brigade of four battalions is to be based in the southern German state of Baden-Wuerttemberg. Mr Mitterrand said the brigade's structure had yet to be worked out.

The two sides hope to agree details by the time the two governments celebrate in January next year the 25th anniversary of the signing of the Elysee Treaty of 1963.

In other decisions yesterday the two countries

- Signed an agreement on developing a joint anti-tank helicopter the PAH-2, which has been under discussion for several years;
- Agreed to set up an optical fibre cable link between Karlsruhe and Mulhouse in south-east France, and to develop a joint telephone handset. These moves have also been under discussion;
- Reaffirmed support for a Paris-Brussels-Cologne high speed train link. Railway chiefs have been asked to produce firm plans by March 1.

Option of talks with ANC is kept open

By Tom Lynch and Michael Holman

THE BRITISH Government yesterday kept open the option of talks with the African National Congress in spite of the recent denunciation of the South African anti-apartheid body as a terrorist organisation by Mrs Margaret Thatcher, the Prime Minister.

At last month's Commonwealth summit in Vancouver Mrs Thatcher appeared to reverse the Government's policy of contact with the congress which has included meetings at ministerial level with Mr Oliver Tambo, its leader.

Mrs Lynda Chalker, Foreign Office Minister of State, said in the Commons yesterday that contacts with the ANC would continue. She was speaking following a meeting earlier in the day between an ANC delegation and a senior Foreign Office official.

She did not rule out the possibility that the congress would have further meetings with ministers but said the prospect was hypothetical. Such meetings "would require careful consideration at the time and in the light of circumstances."

"It is right that officials continue from time to time to meet with ANC representatives," she said in a debate on South Africa.

She said yesterday's meeting was low-key and courteous. It had been requested by the congress to discuss the dropping of charges last month by the Director of Public Prosecutions alleging a plot by three men to kidnap London members of the organisation.

The congress delegation, led by Mr Solly Smith, its London representative, had not raised the outcome of the Commonwealth heads of government meeting at Vancouver, the Prime Minister's criticisms of the congress as a "terrorist organisation" or the British Government's refusal to implement further sanctions against South Africa, Mrs Chalker said.

Emphasising that meetings with the congress took place only as and when necessary, she told MPs: "We use every such occasion to encourage the ANC to foreswear violence, but we do understand the black frustrations."

The congress's military wing has been responsible for a growing number of attacks in South Africa.

A congress statement said the meeting was cordial. It said congress had expressed concern about the dropping of the kidnap-case charges.

Tories clash on South Africa, page 4

Inflation rate showed sharp increase to 4.5% last month

BY RALPH ATKINS

BRITAIN'S INFLATION rate showed an unexpectedly sharp rise last month, but the Government remains confident that it will fall by the year end.

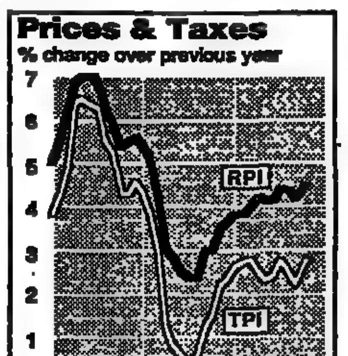
The Retail Price index rose by 0.5 per cent last month, according to Employment Department figures issued yesterday, pushing the annual rate up to 4.5 per cent, the highest since February last year.

Other official figures issued yesterday showed that Britain's manufacturing output continued to rise strongly in the three months to September, taking its growth since the corresponding three months last year to 6 per cent.

The upturn in the inflation rate follows price rises for a wide range of products, particularly seasonal foods and leisure goods and services. Fuel prices fell following gas price cuts, but tobacco and alcoholic drink prices rose significantly.

Mr Norman Fowler, Employment Secretary, none the less repeated the forecast made by Mr Nigel Lawson, the Chancellor, in his Budget statement. This was that the annual inflation rate would fall to an average of 4 per cent in the last three months of this year.

The rate is likely to moderate this month because retail prices will be compared with last November when prices were rising particularly fast. The upward pressure will be eased further next month by recent mortgage-rate cuts.



According to Employment Department statisticians an average mortgage rate cut of 1 percentage point would reduce the Retail Price index by 0.4 per cent.

Last month's figures disappointed City economists who were expecting little change on September's annual rate of 4.2 per cent. The upturn is likely to trigger worries about the delayed inflationary consequences of recent strong output growth.

Britain's inflation rate is still ahead of several of its main industrial competitors. Figures show that in September annual inflation rates were: West Germany 0.4 per cent, Japan 1.1 per cent, France 3.2 per cent and the US 4.3 per cent.

Separate figures published by the Employment Department yesterday show unit wage cost in manufacturing industry continued to rise into this second half. The upturn reflects a slowdown in output growth, but strong upward pressure on wages.

In the three months to September the index of wages and salaries per unit of output was 1.5 per cent higher than in the corresponding period a year before. This compares with 1.2 per cent for the three months to August.

Mr Fowler said the recent rise could have undesirable side-effects. "The main danger to a continuing reduction in unemployment is of pay settlements being too high," he said.

Manufacturing productivity in the three months to September was 6.9 per cent higher than the corresponding period a year before.

Manufacturing output, Page 4; Editorial comment, Page 6

Eurotunnel ready for flotation

BY RICHARD TOMKINS

EUROTUNNEL, the Anglo-French group building the Channel Tunnel, yesterday cleared the last hurdle to the £770m stock market flotation on which the future of the £4.7bn project depends.

Its British and French advisers said they had received enough firm indications from institutional investors to be confident that the issue would be fully underwritten. This clears the way for the launch of the share offering on Monday.

The flotation is crucial to the project because Eurotunnel cannot draw loan finance for construction of the link until the shares have been sold. There had been fears that the stock markets crash would quell interest.

Some 220m Eurotunnel units (each comprising one British share and one French share) are to be sold at 350p a unit. Of these, 202m units will be split evenly between London and Paris and the remaining 18m will be sold in other international markets.

The international tranche has already been firmly committed. Salomon Brothers will place about 1.8m units in the US, Nomura Securities will place about 4.7m units in Japan, and the rest will be placed on the Continent, the Middle East and other countries.

The prospectus for the UK share offering - one of the lengthiest ever published - will appear in the Financial Times and the Daily Telegraph on Wednesday.

Warburg Securities, one of Eurotunnel's UK advisers, said between 30 and 50 per cent of the units available to UK investors would be placed with institutional investors in advance. That means there will be room to satisfy only about 60,000 applications from private investors asking for 1,000 units each.

In Paris, shares are distributed largely through the banking system on a first-come, first-served basis. Banque Indosuez, one of Eurotunnel's French advisers, said it expected about 80 per cent of the French tranche to go to members of the public.

In London, City opinion on the issue is sharply divided. Kitcat & Aitken, the stockbroker, is advising investors not to buy the shares because it says the likely returns are inadequate to justify the risk. However, James Capel, another stockbroker, says the risks are exaggerated.

Weekend FT, Page IV

Scargill Continued from Page 1

the candidate who would most effectively challenge Mr Scargill in the key Yorkshire coalfield, said he would run only if a majority of branches in the area nominated him. However, he said he would not campaign to win the Yorkshire nomination.

While Mr Walsh is likely to win the support of a large number of branches in North Yorkshire, he said it was likely that the area as a whole would nominate Mr Scargill. The 32,000 Yorkshire miners account for a third of the votes.

However, Mr Walsh said: "I never say never, and things can change from day to day."

Over the next few days Mr Walsh will come under increasing pressure from within the Yorkshire area, from other areas opposed to Mr Scargill, and from his long-time allies within the union such as Mr Trevor Bell, the leader of its white-collar section, to reconsider his position.

Mr Scargill's critics believe he will face a groundswell of opposition but they acknowledge that without Mr Walsh as a candidate it would require a nationally recognised figure backed by a professional media campaign to unseat him.

Mr Des Dutfield, the South Wales miners' leader who has become Mr Scargill's foremost critic, is expected to come under pressure to stand from his area's monthly delegate conference on Monday.

Although Mr Dutfield has not ruled out standing, he is reluctant to leave South Wales. Mr Terry Thomas, another well-known South Wales official, and Mr Eric Clarke, the Scottish miners' leader, are also reluctant to run.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

AC Hldgs.	500	+	75
BOC Group	366	+	11
Baynes (Charles)	48	+	8
Berkeley Group	236	+	26
Brit. Aerospace	325	+	14
Cray Elect.	165	+	18
Elliott (B.)	72	+	9
F & H Group	75	+	10
Kleinwort Benson	330	+	20
Midland Bank	388	+	30
Miss World	230	+	15
Neill (James)	194	+	25
Rank Org.	563	+	10
Utd. Spring	78	+	6
Westpool Inv. Tst.	92	+	13
Yorkshire TV	222	+	16

FALLS

Treas. 13¾% 2000-03	£130¾	–	1¼
BPB Inds.	260	–	17
Barclays	450	–	13
Commercial Union	313	–	15
Mercury Asset Magmt.	255	–	15
Royal Insurance	368	–	15

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	20	68	Dallas †	F	2	36	Madeira	C	19	66	Prague	F	10	50
Algiers	S	24	75	Dublin	S	8	46	Madrid	F	12	54	Reykjavik	F	1	34
Amsterdam	F	8	46	Dubrovnik	C	16	61	Majorca	S	20	68	Rhodes	F	19	66
Athens	S	20	68	Edinburgh	S	9	48	Malaga	S	22	72	Rio de Janeiro		-	-
Bahrain	S	25	77	Faro	F	18	46	Malta	S	21	70	Rome	C	21	70
Barcelona	F	20	68	Florence	C	21	70	Manchester	F	9	48	Salzburg	C	9	48
Belfast	R	7	45	Frankfurt	F	11	52	Melbourne	F	16	61	S'Francisco †	C	16	61
Belgrade	S	19	66	Geneva	R	10	50	Mexico City		-	-	Santiago		-	-
Berlin	F	9	48	Gibraltar	S	20	68	Miami †	F	16	61	Seoul	C	15	59
Biarritz	R	13	55	Glasgow	R	7	45	Milan	C	9	48	Singapore		-	-
Birmingham	F	8	45	Guernsey	C	8	46	Montreal †	C	2	36	Stockholm	S	9	48
Blackpool	F	9	48	Helsinki	Sn	0	32	Moscow	C	-2	28	Strasbourg	R	10	50
Bombay	S	31	88	Hong Kong	S	26	79	Munich	C	9	48	Sydney	S	21	70
Bordeaux	C	13	55	Innsbruck	F	10	50	Nairobi	C	25	77	Tangier	F	18	64
Boulogne	R	9	48	Inverness	F	7	45	Naples	F	19	66	Tel Aviv	S	23	73
Bristol	F	8	48	Isle of Man	S	9	48	Nassau		-	-	Tenerife	S	24	75
Brussels	C	8	46	Istanbul	F	16	61	Newcastle	S	9	48	Tokyo	C	17	63
Buenos Aires		-	-	Jersey	F	8	46	New Delhi	S	28	82	Toronto †	C	4	39
Budapest	R	8	46	Johannesburg	C	17	63	New York †	F	4	39	Tunis	S	22	72
Cairo	S	26	79	Las Palmas	S	24	75	Nice	F	17	63	Valencia	S	20	68
Cape Town	S	20	68	Leeds	F	9	48	Nicosia	S	23	73	Venice	C	11	52
Cardiff	C	9	48	Lisbon	C	18	64	Oporto	R	13	55	Vienna	F	9	48
Chicago †	F	3	37	Locarno	R	8	46	Oslo	R	5	41	Warsaw	R	8	46
Cologne	F	10	50	London	C	8	46	Paris	F	9	48	Washington †	C	-1	30
Copenhagen	C	7	45	Los Angeles †	C	16	61	Peking	S	9	48	Wellington	R	15	59
Corfu	S	20	68	Luxembourg	C	8	46	Perth	S	31	88	Zurich	R	9	48

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Share prices Continued from Page 1

Speaking in London after talks with Mr Nigel Lawson, the Chancellor, Mr Wilson said that for the moment at least governments were likely to "mark time" on interest rates.

The major trade imbalances in the world economy could not be corrected through monetary policy alone and a meeting of the seven might focus more on appropriate fiscal and structural policies.

The timing of a G-7 meeting was impossible to predict because such talks should be well-prepared in order to reach an accord which would restore confidence into the foreign exchange and stock markets, he said.

For the London market it was a week which saw the pendulum swing from gilt-edged securities back to equities, as investors gained confidence that share prices had fallen too far too quickly and now looked good value.

Yields on long-dated gilts rose from a low of 8.9 per cent on Monday afternoon to close yesterday at 9.31 per cent as investors switched back into equities when it became plain that the authorities would not sanction another cut in bank base rates.

Although the equity market closed slightly lower yesterday most analysts felt it was a natural correction after two days of substantial gains and that the outlook for UK shares was still good. The FT Ordinary share index closed 14.8 points lower at 1314.

Earlier the Tokyo stock market had posted its third biggest gain ever, as investors took heart from Thursday's reports that President Reagan was close to agreement with the US Congress on measures to cut the budget deficit.

The Nikkei index of leading shares rose 901.75 points to close at 22,448.25, recovering virtually all the ground lost earlier in the week.

In London the dollar closed slightly weaker on the day at DM1.6880 compared with DM1.6980 on Thursday, and at Y135.90 compared with 136.40 previously.

The pound closed at $1.7685 compared with $1.7575 on Thursday, and at DM2.9850, unchanged from Thursday.

Continued from Page 1

Hongkong

may seem rather high. On the other hand, a couple of months ago we would probably have had to pay more than that," he said.

Analysts in Hong Kong generally concurred with Mr Gray's views.

Asked if the timing of the Midland move was influenced by the turmoil afflicting world financial markets since the October 19 crash, Mr Gray said: "That was probably fortuitous."

Hongkong Bank will have no difficulty funding the acquisition. It raised HK$3.3bn(£240.87m) via a rights issue in March and between July 1985 and June 1986 raised US$1.2bn(£681.8m) on the London capital market.

Some analysts in Hong Kong suggested that the acquisition could be part of a cautious strategy designed to safeguard the bank against any political problems that might emerge in the territory prior to China resuming sovereignty in 1997.

"I think you can sensibly read something into that," said one Hong Kong analyst. He pointed out that under Mr Purves, who took over from Sir Michael Sandberg last December, the bank's overseas assets had grown from about 40 per cent to nearly 50 per cent with the recent acquisitions.

Analysts in both London and Hong Kong predicted that the investment would eventually lead to a merger. A Hong Kong analyst said: "I don't think it's impossible that Hongkong Bank could be reversed into Midland Bank, even though Midland is only two-thirds its size. Hongkong Bank would then have a UK registration."

Mr Gray said the bank had simply "saturated the market in Hong Kong" and that substantial expansion had to be overseas. Asked whether further acquisitions were likely, he said: "I don't think anything is ruled out. We'd like to see how this partnership works out."

THE LEX COLUMN

Eastern promise for Midland

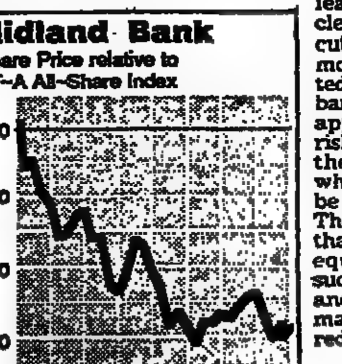
Midland Bank has done it again. The one British clearing bank which has always been big on ideas, and short on performance, has come up with another gem. Its agreement to sell 14.9 per cent of itself to the Hongkong and Shanghai Banking Corporation has all sorts of fascinating implications, and whilst this has no doubt been said about many of Midland's earlier ill-fated business ventures, the proposed "working business partnership" with the Hongkong Bank is a potentially very powerful combination.

The long-term possibilities of combining Midland's strong position in the UK, and to a lesser extent in Europe, with the Hongkong Bank's dominant place in the Far East and North America (through Marine Midland Bank), could produce a global banking giant which would give rivals such as Barclays, NatWest and Citicorp a run for their money in the commercial banking arena. On the capital markets side, Hongkong Bank's James Capel, Midland's Greenwell Montagu, and a couple of US primary dealers, could produce an investment bank with impressive credentials. At the moment, all of this is very much a dream, and Midland Bank has stressed that it is by no means certain that it wants to go all the way and merge with the Hongkong Bank. However, the ball has been set rolling.

As banking ventures go, the deal makes more sense than most. It is no secret that the Hongkong Bank is keen to build its presence in Europe and after its ill-fated bid for the Royal Bank of Scotland in 1982, it has indicated that it is prepared to play by the rules and not upset the Bank of England again. Meanwhile, Midland gets close to £400m of new capital - making it the best capitalised UK bank - and has acquired a major shareholder which has promised not to try and increase its investment for three years, at least. It has been given a breathing space to prove once and for all that it can put its house in order.

Nevertheless, the price has been high. The Hongkong Bank is buying into Midland at net asset value, or around seven times next year's earnings. In addition, its investment will yield around 5.7 per cent. Four weeks ago this would have looked an exceedingly cheap price, and there are no doubt some banks that will be wondering whether it is worth trying to top the Hongkong offer. However, the Bank of England does not like hostile takeover bids and Midland's board has no doubt thought it was worth taking the risk to put a price on its paper. Existing shareholders will suffer up to 10 per cent earnings dilution next year, but given the hefty premium that Hongkong Bank is being asked to pay, there should not be too much trouble from shareholders worrying about pre-emption rights.

FT Index fell 11.7 to 1317.1



Markets

Week four of the stock market crash has been a little less uncomfortable than the previous three. Equity prices have still been volatile, with the European markets suffering badly early in the week at the hands of foreign investors. Bonds have traded in a narrower range, and in the currency markets the US dollar has at last found some sort of stability, however fragile. Yet the week has been marked not by events but the lack of them. The expectation of an agreed deal to cut the US budget deficit has neared and receded almost hourly until the decision yesterday afternoon by the negotiators to break for the weekend.

Whether cuts in the US budget deficit would solve the continuing crisis is debatable, but it is enough that the markets think they are necessary. Once the US politicians agree, there is the hope of a G7 deal on interest and exchange rates following rapidly. That is probably over-optimistic, since finance ministers are too smart to call a meeting until they are sure of agreeing something positive, which may require much preparatory work. It is still doubtful whether West Germany and Japan will be happy to join in a round of interest rate cuts.

In the UK there is a growing belief that another base rate cut can only follow an international lead. The Bank of England is clearly concerned by the risks of cutting rates, and next week's money supply figures are expected to show another high level of bank lending. The US authorities appear ready to take greater risks on inflation than the UK in their bid to avert recession, which in the longer term cannot be good for the bond market. The outlook is no clearer now than it was a week ago. And the equity market rally, which sucked in buyers on Wednesday and Thursday, may attract as many sellers still anxious to reduce their exposure to shares.

Share options

The argument that executive share option schemes are a capricious reward for managerial effort has suddenly become rather more popular with many of the executives in question. With particularly cruel timing, the market crashed just days before the first opportunity to exercise options established under the 1984 Finance Act. Many individuals are left in the uncomfortable position of having to calculate whether it is worth borrowing a hefty sum of money to realise options with a radically diminished premium to the original striking price, and with buyers hard to find. Those that can afford to will no doubt wait and see for a year, but others will be locked into commitments made on the back of expected profits. The wealth effect, especially in the property market, could here be at its sharpest.

The motivational effect of options has always been impossible to gauge, and should not give cause for alarm now. They have seldom been a salary substitute and have not usually been linked to any internal measurement of corporate performance anyway. Some of those acquisitive conglomerates which have built options more directly into pay may discover disgruntled middle managers in their newly-acquired subsidiaries. But surely the average executive, or the owner-manager who sold his business for a chunk of equity, will have to strive longer, if not harder, as the handcuffs turn from gold to lead. Any plans to withdraw existing options and reissue them at the new lower prices should certainly be resisted by the Investor Protection Committees, whatever the unfair advantage to newer recruits to schemes.

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WEEKEND FT

Saturday 14/Sunday 15 November 1987

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

Work by living British artists is suddenly fashionable, with the salerooms challenging the galleries for a share in the profits. Antony Thorncroft reports on the phenomenon

'I know what I like'

AMONG THE GRIMY, decaying workshops of Shoreditch, and along the far, unfashionable reaches of the New King's Road; around the raffish side streets of the Portobello market and in the riverside charm of Richmond they can be found: the new art galleries of London. They are the most tangible manifestations of what for generations was regarded as impossible: a boom in demand for contemporary British art.

Most of the galleries will fail. Often they are opened by enthusiastic patrons of young artists, more concerned with developing fresh talent than with lining their own pockets. But they are starting British artists off on a path - an increasingly well trodden path - which leads to international acclaim, museum immortality, and the big money ostentatiously paid in the smart salerooms of New York.

Howard Hodgkin is just one recent example. He was selected to represent the UK at the prestigious Venice Biennale art show in 1984. In 1985 he won the Turner Prize, established by the Tate Gallery to promote British art. His work now hangs in the Tate; and his global value was confirmed last week when Sotheby's sold for $220,000 in New York his portrait of Mr and Mrs Philip King.

Hodgkin's work was not alone in fetching high prices. It was a tense occasion; one which would tell the art world whether modern art, the most febrile, unrooted sector of the market, could survive the crash of the world's stock markets and the impoverishment - at least on paper - of some of its keenest buyers. In the event all went well, especially for British artists. A Francis Bacon pastiche of a Velasquez portrait of Pope Innocent X sold for $1.32m. at Christie's, and a long panel by R.J.Kitaj went for $308,000. "Day fishing in Herakalion", which helped Michael Morley to win the first Turner Prize in 1984, found a new home (through Sotheby's) at $396,000.

These three are not the only ones, among living British artists, to vault over the $100,000 barrier for a canvas. David Hockney, Lucian Freud, Leon Kossoff, Frank Auerbach and Gilbert & George are either well over or fast approaching this mark. British art is suddenly fashionable throughout the world, with the pyramid at the top nourishing the aspirants below.

Leslie Waddington, doyen of the British dealers, has four galleries in Cork Street, the tiny Mayfair thoroughfare which is the traditional centre of the contemporary art scene. He spells out the extent of the boom. "My turnover will exceed £20m this year, and my profits £3m. These are double the figures for 1986. About three quarters of the growth is linked to rising prices; the rest is natural". It is rare for a dealer to be so specific about his accounts, but Waddington's rivals confirm his experience. Nicholas Logsdail, who runs the Lisson Gallery which has successfully made the international reputations of a new generation of British sculptors such as Tony Cragg and Richard Deacon, says his turnover has doubled every year since 1981. Another leading supporter of the *avant garde*, Nigel Greenwood, confines himself to admitting "a considerable increase in turnover," while Angela Flowers, prominent among the middle rank galleries, says: "Our turnover in the last month is three times our turnover for the whole of 1981."

There is also unanimity about where this British art is going. It is going abroad. All the leading British dealers sell up to three quarters of their artists' output overseas; mainly to Americans, who are reckoned to absorb about half the total market. But the Japanese were buying in New York last week - which should provide some reassurance if the American economy sickens. Another important breed of buyer who is also to some extent protected from the vagaries of the real world is the museum director. More museums have been opened in the past five years than in all the preceding 50; and with British art all the rage they are big buyers in London. After the recent Gilbert & George show at the D'Offay Gallery, examples of the couple's work were on their way to the Metropolitan Museum in New York and to the museum of Detroit.

Worldwide demand for British artists obviously has a beneficial effect, but it also carries some disadvantages...

There is more local buying by about half a dozen of the recently successful British entrepreneurs and by foreigners living in London. Charles Saatchi, who owns perhaps the best collection of contemporary art in the world, is given much credit for opening British eyes to the art of the day, although with his own eye so perfected he tends to go direct to the artist, bypassing the dealers. Also, London's pivotal geographical position is important. As dealer Anthony D'Offay says: "40 per cent more people pass through London than New York." Any art-buying American visiting London will look at what's on offer in Cork Street and its environs, and so will his continental counterpart.

But why? Why should British art suddenly have this international appeal? Part of the success is an illusion - good "local" artists, American and European, are selling just as well in New York and Cologne, the other two leading art markets. Interest in art is on the global scale, just as the higher profits made until recently on the stock exchanges and by business in general have been global, at least in the western industrialised world. But - leaving aside the over-riding importance of surplus wealth in pushing up prices - there has undoubtedly been a re-assessment in favour of British art.

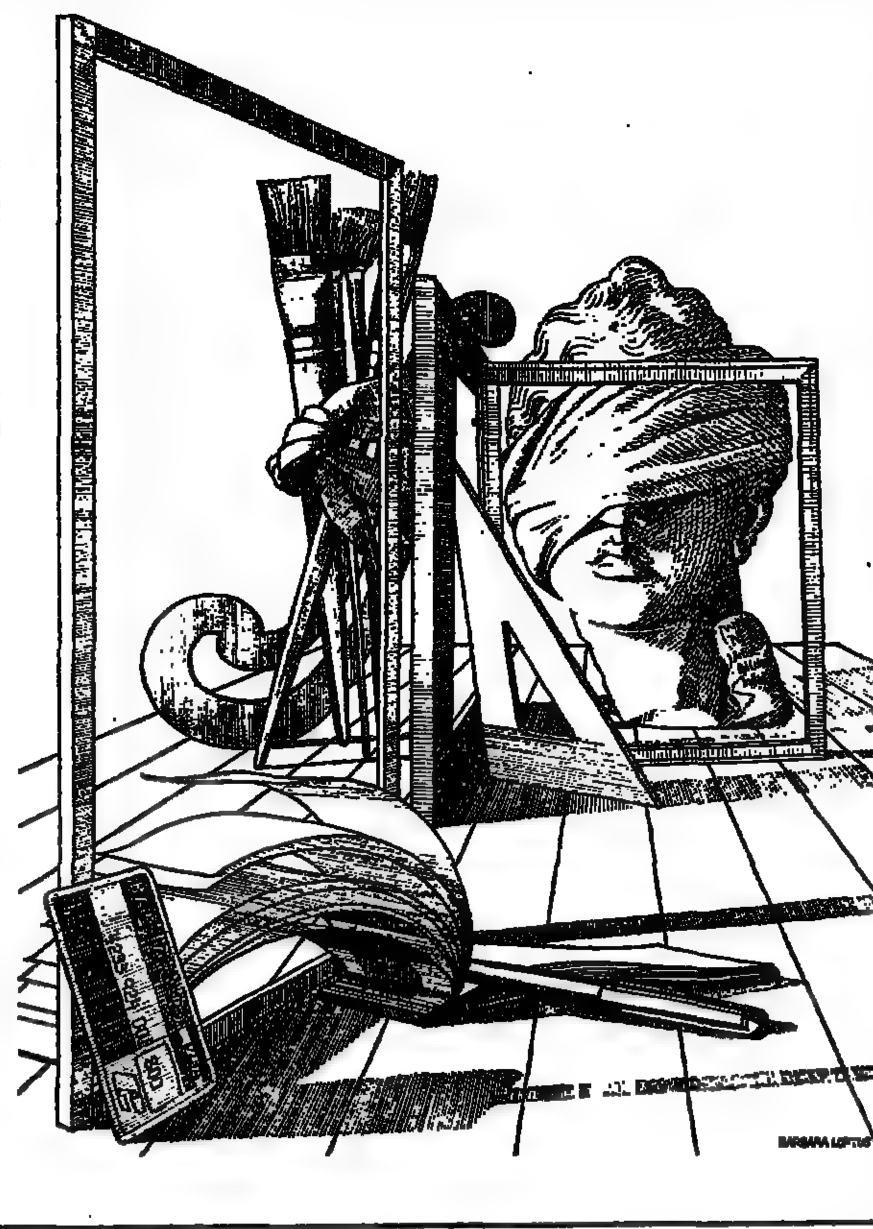
This is when the dealers reach for their dictionaries. "I believe the idea of contemporary art fulfils some spiritual function in people's lives. In the past we built great cathedrals; now we build great museums. People worship in galleries as they used to worship in churches." So says Anthony D'Offay. He thinks that over the past couple of years the British have been able to place their trust in the present. While Americans have always lived for the future, traditionally the British lived in the past. This could be changing.

Nigel Greenwood attributes it to qualities in British art. "It has a continuity in relationship to history." Nicholas Logsdail refers to "a coming of age of an educational process which started in 1900 with modernism," helped by the UK tradition of producing great sculptors. Whatever the reasons, British art has been internationalised. This means good profits for the dealers, who take in commission at least a third of the sale price of a work of art. But it also makes their job that much harder. The top British artists tend to have studios abroad, and like to have shows in their New York or German retreats. This means British dealers splitting commission with foreign dealers. The artists also need more servicing. They expect to have money advanced against their work - which can then be a long time a'coming. They are also more prepared to switch galleries if they get a better offer; middle rank dealers complain that Cork Street cheque books can cream off the market. (This is a New York practice which is just reaching London.)

For all the present hassle, the dealers have one inestimable bonus from the current high prices commanded by their strings of artists: large caches of early work. Most dealers agree to buy a certain number of canvasses and sculptures from their artists if these are not snapped up by collectors at their exhibitions. The inexpensive Hodgkin, John Hoyland, Peter Blake and Patrick Caulfield acquired by Leslie Waddington ten years ago and more are now among his most valuable assets.

Worldwide demand for the top ten British artists obviously has a beneficial effect, but it also carries some disadvantages. There is little incentive for the established dealers to find and develop new talent; they can live well off their past successes - who are very time-consuming anyway. Few dealers admit to visiting the art school shows: they believe that artists need at least five years in the real world to shake off imitative tendencies and develop their own style. But it is a pity that some of the wealth made in the last few years cannot be diverted to encourage young artists.

So far the dealers have not noticed any immediate impact from the stock exchange collapse. They are perhaps more concerned about another threat to their hegemony - from the auction houses, especially Sotheby's and Christie's, which have quickly come to dominate the contemporary art market in New York and are now switching their attention to London.



By a bizarre chance the artists and dealers themselves helped to kick-start the salerooms' greater interest. Last July 2 Sotheby's organised a charity auction to raise funds for the Whitechapel Gallery - the gallery generally given credit for playing an important part in popularising British art. Artists generously donated work and dealers and key collectors bid enthusiastically, with the result that extraordinary prices were paid: the sale made more than £1.3m. A Hodgkin sold for £155,000; a Sean Scully fetched £32,000; a Ceri Richards went for £15,000. Among the foreign artists, a Kiefer was bought by D'Offay for £300,000, and a Schnabel went for £55,000. Sotheby's got the message: contemporary art can be sold in London. There have been many auctions in the past, but for last Wednesday's sale Sotheby's pulled out all the stops, billing it as the first since 1945 to concentrate on British art. In the event, though nearly 30 per cent went unsold, prices for top British names were pretty well on target: a Hodgkin gouache with a top estimate of £10,000 went for £12,100; Patrick Heron's "Tall Brown" fetched £16,500; a Leon Kossoff oil carrying a £50,000-£70,000 estimate sold for £66,000.

The dealers acknowledge that the salerooms do an excellent job in promoting contemporary art through their auctions but, as Leslie Waddington says, "they make massive profits from art but put nothing back." Anthony D'Offay adds: "The salerooms can never replace the dealer. One is concerned with the presentation and reputation of artists; the other with value and profit".

But the salerooms do pose a challenge. They have been known to make a direct approach to artists, suggesting that they offer works for auction. This presents the dealers with a tricky problem. Most dealers see it as part of the job to buy some of the unsold work of their artists: it is also in the dealers' interests to establish the highest possible prices for their artists' output. Should dealers bid at auction for their artists' work? Many do - not so much to push up the price as to show confidence. (Kasmin, who built his reputation and fortune on David Hockney, says: "I can't bid impossibly high prices for Hockney's work at auction. It would persuade more owners to sell his paintings, and I would have to spend a fortune underwriting the market.") Sometimes dealers have tried to establish an unknown artist's reputation at auction by getting an associate to bid against them to create a newsworthy price. But such unreal reputations hardly last the day.

The international fame of a handful of British artists has undoubtedly had a knock-on effect down the line. While the contemporary art auctions were under way in New York the Contemporary Arts Society in London, dedicated to promoting modern British art in public galleries, commercial companies, and to the population at large, was holding its annual four-day sale of the work of more than a hundred artists, mainly young; a market spiced with contributions from the likes of Hoyland and Bridget Riley, but all on offer at prices below £700. With queues forming well before the doors were opened, 400 works of art were sold for £132,000 on the first day alone. By the end of the second day the fair had topped the previous year's four-day total. By Saturday over 3,000 people had attended, and many will have bought works from the constantly replenished walls.

The guiding spirit of the Contemporary Art Society, Caryl Hubbard, is well placed to reflect on the current art scene. "30 years ago very few galleries showed young artists. Now it's not very difficult for them to get an exhibition. The artists, too, are much more realistic. In the past, when you went round the college shows you would find the students asking unbelievable prices for their work, mainly because they did not believe in selling it. Art was not seen as a consumer product. All that has changed. Now artists want to sell."

But if the artists are in danger of underpricing their pictures and sculptures to secure patrons, the galleries have steadily raised their commission - from an average of a third of the selling price to nearer 50 per cent. This can push the work of quite young artists to the £1,000 mark - and into consumer resistance.

The galleries justify their higher charges by pointing to their costs. Rent and rates on a tiny display space in central London eat up £30,000 a year; the cost of employing two assistants adds on another £20,000. Printing catalogues, paying for the drinks at ten exhibitions a year, and publicity, will consume at least another £20,000. You need to sell an awful lot of works of art to recoup your expenses. Hence the tendency to move to cheaper peripheral premises, dealing from home and relying on fairs to drum up new custom; and devices such as mixed shows, where you push through the work of jobbing artists for a smaller commission but even less commitment.

If there is a recession, the art market is bound to suffer at every level. Musuems might keep buying; there is growing interest from commercial companies, who are being educated to acquire contemporary art when furnishing their offices (the CAS is currently advising on a major project); and the international demand for British art, to some extent, spreads the risks. But the lower and medium ends of the market rest on the young, fashionable, educated executives with spare cash to spend on embellishing their homes, who now dare to buy contemporary art. One dealer estimates that there are only a thousand Britons prepared to spend over £1,000 on a work of art. This is probably an underestimate - but art is still seen as a luxury.

At the moment a calm has descended upon the art world, but not for Caryl Hubbard. She has been asked to supply work from six British artists for an international exhibition in Frankfurt. The names were drawn up and the artists approached. All are currently too busy to prepare works for the show.

Virtue has its own rewards

The past few weeks have seen the over dramatic correction of an anomaly. Barry Riley suggests that it is still a time to be cautious

THE FIRST stage, at least, of the equity market crash is over. In place of more or less indiscriminate selling around the world, fundamental value has started to be a factor again.

This week the London market bounced upwards,while the bigger Continental markets such as Germany and France suffered a second crash. Wall Street steadied as well, but Tokyo, which has suffered less than most, has been under pressure. The foreigners are largely out of the Tokyo market now, which laves the Japanese a clear field to support their market in their own very special way; but Japanese equity market ratings remain an anomaly in global terms which will have to be ironed out some day.

As the cheap buyers moved back into the London market this week, sniffing at single-figure price-earnings ratios and finding sound companies on yields of 6 and 7 per cent, the question is whether we have seen the bottom. I suggest it is *still a time to be cautious*. The long-termers among the institutions may be happy to accumulate at these levels,but they have their own special definition of a profit.

When can a profit be a loss, and vice versa? Let me explain. The past few weeks have seen not so much a crash as the overdramatic correction of an anomaly. At the end of September the UK equity market was showing a rise of pretty nearly 50 per cent inside twelve months. But by the middle of this week the All-Share Index was trading very nearly in line with its year-before level.

Such a correction has a violent effect on the relative performances of investment institutions. For nine months of this year fortune has favoured the aggressive trend-chasers heavily invested in equities, especially stocks of the smaller, more speculative variety. The more heavily that pension funds, for instance, were invested in equities rather than other assets such as bonds or property the more likely they were to outperform the averages.

The other type of manager is, however, more orientated towards value. The higher the equity market rises, the less inclined he will be to hold equities. In the short run this will be very damaging to his performance and he will need to be very brave to reduce his equity exposure substantially. Virtue will be rewarded, however, when the over-valuation of equities is eventually corrected.

You may ask whether the ideal solution is not simply to switch strategies at the top. What a wonderful idea. Just try it. Perhaps Sir James Goldsmith will tell you how. In fact the October crash can be attributed to a vain attempt by investors around the world to switch from equities to bonds all at once. The result was a vertical drop in equity prices, and only aslightly less vertical rise in bonds, and a remarkable whiplash effect on the relative performances.

The key here is that institutional investors do not primarily measure their performance in absolute terms, but only relative to either a stock market index or (in the case of mixed asset portfolios) to the average performance of similar funds. So a fund manager can be perversely content if his portfolio has gone down 20 per cent, but that of his average competitor has tumbled by a quarter. In his terms, he has made a profit. He will be even more happy if stocks have come back into his buying range. This week some of these institutions decided that opportunities were again opening up.

A rule-of-thumb is that UK equities are worth buying when the average dividend yield is between 5 and 5 1/2 per cent, which is the long-run average. You can easily still lose money for a while if yields subsequently rise further to 6 or 7 per cent: but history says that you can confidently look forward to showing a profit before too long. Equally, history says that if you buy equities when the market yield is between 2 and 3 per cent you are likely to be out of pocket for quite a few years.

It could be significant that when the London market touched a low point after Tuesday's early morning markdown it bounced strongly off an average dividend yield level of very nearly 5 per cent. Does the appearance of such buyers therefore mean that the market has bottomed? Unfortunately it isn't as simple as that.

Although some of the long-term institutions may be happy to accumulate in the knowledge that their relative performance has abruptly moved from below average to above average, the more aggressive fund managers are not in such a fortunate position. It looks as though even the average exposure of UK pension funds to UK and foreign equities reached close to 80 per cent at the end of September, and although the fall in equity values will have reduced this subsequently, many funds will feel themselves overweight in such uncertain circumstances.

There must be a temptation for managers to indulge in window-dressing during the next few weeks so as to be able to present a more balanced spread of assets to their trustees by the end of the year. That would mean selling equities and buying gilts. Then there is the problem of unit trusts. They are not long-term but increasingly short-term institutions, selling themselves on the basis of absolute performance rather than in relation to indices (which they rarely beat).

Although the trusts bravely claim that they have yet to be hit by massive waves of redemptions, the fact is that a great deal of money has been drawn in during the past year by the prospect of quick profits and it is going to be very hard to retain the faith of investors on the basis of 1987 performance statistics.

Fortunately the supply side of the equation looks more favourable for shares in London. The UK market has been milked on a huge scale during the first ten months of the year by companies financing US acquisitions and by the Government. This will now stop. But the possibility of a world recession has hardly been addressed. At the moment, most professional investors do not believe there will be one. Earnings projections have been cut by 3 to 5 per cent for next year, but mainly as a reflection of the fall in the dollar.

Perhaps we shall indeed escape without serious economic problems. But there are bound to be serious upsets in the months ahead and there is a lot more room for pessimism to damage share prices yet.

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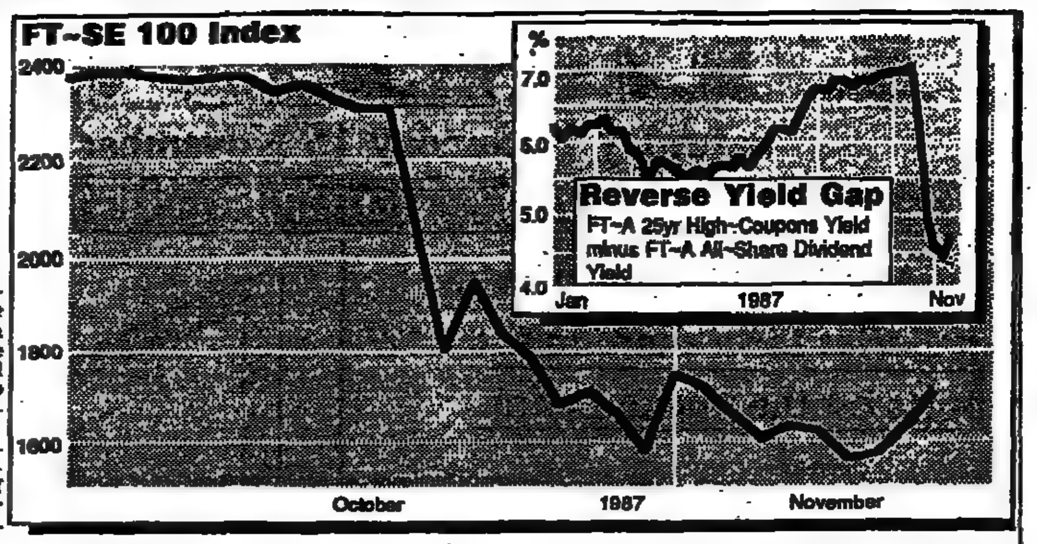
A hop and a skip, but still jumpy



IT WAS called a market bounce back, but it was more like a a nervous, faltering hop.

London staged a small rally in the middle of this week, though the initial auspices had hardly seemed favourable. The FT-SE 100 index closed on Monday night at its lowest level since Black Monday - 1565.2 - as uncertainty over the US budget deficit and the dollar continued to hang heavy over the market, and by Tuesday morning the index was as low as 1515.

But then came a change of sentiment and a three-day rally which by Thursday night had taken the FT-SE 100 back over 1700 for the first time this month.

Several factors contributed to this fleetingly more positive tone. One was a perception that UK equities were now looking reasonably priced.

The argument received some underpinning from good sets of results during the week from several blue chip stocks, notably J Sainsbury, the grocery chain (interim pre-tax profits up 22 per cent), BOC, the gases group (which revealed it was fully hedged this year against any fall in the dollar), and Wellcome, the drugs company.

But since the crash company results have had a pretty marginal impact on share prices. A more telling influence on the market this week was the sudden re-appearance of corporate predators (who had been lying low since Black Monday) both to launch bids and to build up share stakes. If they were back, ranthe argument, there must be bargains around.

Granada, the television and leisure group, had the distinction of being the first company to launch a major takeover bid since the collapse of the markets when it unveiled a £220m offer for Electronic Rentals, a rival in the television and video rental business.

London

But equities' gain was the gilt market's loss, as institutional investors, who had fled to the comparatively safe haven of bonds in the wake of the crash, began switching funds back to shares.

With the equity rally reducing the chances for a further base rate cut, the yield on high coupon longs, which had dropped as low as 8.97 by Tuesday night, rose once more above 9 per cent.

However, the extreme fragility and volatility of the markets was underlined again yesterday, when worse than expectedretail price index figures combined with more gloomy news on the US budget deficit to send London into reverse.

There is no hope of any stability until the talks between the White House and Congress on a budget deficit compromise have run their course. Until then, all it needs is President Reagan to cough for the markets to be convulsed.

Against this background, anyone attempting to make a measured, fundamental analysis of the UK equities market is rather like a comedian soliciting a custard pie in the face.

Everyone is looking for a market floor, from which magical point equities are supposedly certain to bounce upwards. But as the market has see-sawed in a downwards direction, so the perceived floor level has fallen. Some of the latest circulars suggest it may be around 1500 on the FT-SE 100.

As for the upside, City analysts continue to stress the well-worn [illegible] that the UK is in far better health than almost any other major economy and that on a long-term view equities look good value.

Ian Harwood and Nick Whitney of Warburg Securities this week went so far as to predict that the FT-SE would reach 1900 by the year-end. They point out that at around 4.8 per cent the yield gap between gilts and equities is now at the lowest point for 13 years.

Others are rather more cautious. Bob Semple of Wood Mackenzie argues that a climb to 1900-2000 is plausible, but only over the next year and "it will be a long, slow haul getting there."

But with 60-point jumps in a day now commonplace - either up or down - and with so many international economic unknowns, the markets could quickly prove the pundits wrong.

That said, the tentative revival of takeover activity does suggest a greater degree of stability in the markets. Yesterday brought forth an important link-up between Midland Bank and the Hongkong & Shanghai Banking Corporation, which is taking a 14.9 per cent stake in the troubled UK clearer and co-operating with it in the development of their international businesses.

The week produced other interesting stake-building exercises. General Cinema, the US business with interests ranging from theatres to soft drink bottling, staged a market raid to buy nearly 10 per cent of Cadbury Schweppes, the confectionary and soft drinks group, lifting its stake to just over 18 per cent.

General Cinema said it had no immediate intention of making a bid for Cadbury and trotted out the ritually non-committal line that the shares were bought for investment purposes.

The American company's strategy is a mystery. It is much the smaller of the two businesses and a bid from it seems unlikely in the present climate, particularly since Cadbury has done much to put its house in order over the past two years. And General Cinema could hand its share package on to another raider, the disposal of the full stake would mean unravelling a $110m bond convertible into Cadbury shares.

Meanwhile, the Monopolies Commission has given British Airways the green light to take over British Caledonian, provided it gives up BCal's licences on five domestic and three European routes.

There will now follow a scramble among independent airlines to take over the routes, and a tussle over the price BA should pay for BCal in the wake of the market's collapse.

The outcome is a clear victory for Lord King, BA's chairman, who has got most of what he wanted in secret negotiations with the Monopolies Commission, and it will substantially strengthen the airline's muscle.

That will be good news for investors in BA, but whether the demise of Britain's second aviation force is good for travellers is another matter.

Martin Dickson

A slow start, could do better

THE NEWS that the Third Market index, compiled by Credit Suisse Buckmaster & Moore, fell back below its base level of 100 last week makes this a good time to review the progress of the Stock Exchange's newest tier.

The market began trading in January in an attempt to attract companies too small for the USM or the main market and those companies which had previously traded on the Over-the-Counter Market, outside the aegis of the Stock Exchange.

Early hopes for the market's growth were optimistic. Peat Marwick, the accountancy firm, was looking for 120 companies to join by the end of its first year; Touche Ross was hoping for 200. The Stock Exchange was initially predicting between 15 and 25 companies trading on the first day.

Nine months after the market's opening, the number of stocks being traded is 26, just above the upper end of the Stock Exchange's first day hopes.

Why has progress been so slow? It obviously takes time for a market to become accepted. The USM also had a slow start, gradually building up momentum as investors and companies grew in enthusiasm.

Initial estimates of the market's growth were based on the assumption that a large number of OTC stocks would switch to the new tier. Under the City's new regulatory system, only securities firms registered with a self-regulatory organisation will be able to make markets in stocks. That looks likely to exclude one or two over-the-counter market makers.

However, the regulations have yet to come into force and few OTC stocks have yet made the switch. Perhaps, also, the quality of some OTC companies has not been high enough to persuade stock exchange firms to act for them as Third Market sponsors.

The slow start might be a good thing, according to David Macnamara, the director in charge of the USM and the Third Market at County Securities, which makes markets in the vast majority of Third Market stocks.

"It is better to ensure that the companies that have joined the market are of the right quality rather than let a flood of lesser quality companies join the market and ruin its reputation," he says.

In the short term, in the wake of the stock market crash, the number of companies on the market is unlikely to increase substantially. Bear markets are bad times for new issues,

Junior Markets

although Propeller risked joining the market last week and Tomorrows Leisure is set to do so on Monday.

The crash, which has seen the Third Market index plunge from over 160 to under 100, has illustrated the illiquidity of such stocks. "Although we haven't seen a great wave of selling," says Macnamara, "there has been a distinct lack of buyers." As a result, prices have inevitably been marked down.

So how have the initial band of hopefuls, the eight companies which started trading on the market's first day, fared so far?

Eglinton Oil & Gas, the Irish exploration company, initially represented over 50 per cent of the market's capitalisation; after opening at 44p, it moved swiftly up to 59p.

However since then, despite returning to the black in this year's first half figures, the shares have followed a relentless downward plunge to their current level of around 18p.

Aberdeen American Petroleum, another oil and gas exploration company, has also seen its share price plummet below the opening 34p, despite announcing sharply reduced interim losses.

Unit Group, the timber pallet manufacturer which was the first Business Expansion Scheme to join the market, had its shares suspended during the summer whilst it attempted to negotiate a major acquisition.

Unfortunately, the deal fell through and the shares resumed dealings shortly before Black Monday; an announcement of a 25 per cent increase in interim profits has done little to halt the slide in the share price since then.

Theme Holdings, the restaurateur behind Coconut Grove and Futso's Pasta Joint, has sold the leasehold premises of another restaurant, Peppermint Park, and anounced a fivefold increase in interim profits. Its shares, having virtually doubled to 86p within six months of joining the market, are now back to around 55p.

The media groups, Publishing Holdings and Catalyst Communications, have each taken advantage of their quotations to make purchases of private companies; both have announced sharp increases in politics. However, both were trading on fancy price/earnings ratios and have underperformed the FT All-Share since the crash.

Abelscot, the graphic materials and equipment supplier, was one of the early stars of the market, thanks partly to the presence of Emess Lighting chairman Michael Meyer on the board. A series of acquisitions including one just days before Black Monday exploited the value of its paper; but it too has underperformed since October 19.

The only Third Market company to defy the crash has been Allied Insurance Brokers. Its rarely traded shares have outperformed the FT All-Share by nearly 30 per cent since Black Monday.

Philip Coggan

LAST WEEK'S CHANGES

The following table shows the change in the FT 30-share index and its constituents over the past week. The FT-SE index is also shown

	Price yesterday	Change since 6.11.87	1987 High	1987 Low
FT Ord Ind	1317.1	+43.1	1926.2	1232.0
ASDA-MFI	162	-1	226½	142½
Allied-Lyons	333	+3½	471	290
BICC	291	-7	434	249
BOC	346	+36	559	300
BTR	257	+14	374	228
Beecham	454	+29	589	268
Blue Circle Inds	390	+26	579	289
Boots	239	+1	329½	215
British Gas	129	-5	209	106
BP	247	+1	416	238
British Telecom	231	+14½	337	208
Cad Schweppes	228	+21	291	119
Courtaulds	327	-4	535	302
GEC	171	-12	251	164
Glaxo	£10¾	+½	£18¾	996
Grand Met	383	+33	695	348
GKN	275	+37	434	235
Guinness	259	+13	389	233
Hanson Trust	129	+2	195½	116
Hawker Sidd	489	+10½	638	377
ICI	£10½	+¼	£16½	970
Lucas Ind	518	+32	795	465
Marks & Spencer	195	+10½	280½	179
NatWest Bank	575	+17	794	488
P & O	474	+1	776	405
Plessey	148	+3	258	135
Royal Insce	398	-39	595	345
Tate & Lyle	654	+63	944	560
Thorn EMI	494	+40	830	436
Trusthouse Forte	197	+17	293	171
FT-SE 100 Index	1678.3	+67½	2443.4	1600.1

Cool comfort for Unilever

NEXT WEEK analysts will be able to test their skills on a clutch of consumer industry majors with varying characteristics. One of the biggest is UNILEVER, which puts out its third quarter results on Monday.

In the context of overheated expectations Unilever's second quarter was a disappointment, with pre-tax profits up 20 per cent to £373m, £37m lower than its fans had predicted.

After that, estimates for the full year receded from £1.45bn to £1.4bn; more recently they have come back another £50m to £1.35bn, reflecting the decline of the dollar and its implied effect on overseas profits. For the third quarter, the market expects £375m against £319m and, since this includes the Chesebrough-Ponds acquisition, it calculates that the underlying growth rate is negligible.

With UNIGATE, the variables include higher financing charges and the effect of a very poor summer on sales of chilled products.

After a 24 per cent rise in pre-tax profits to £105m in 1986-87, it was not expected to show much progress this year. As recently as September, some analysts were able to accommodate a sizeable increase in first half profits (due on Monday) within this scenario, but the word now is that the interim out-turn could be 10 per cent down at £42m.

Results Due

RANKS HOVIS McDOUGALL, on the other hand, is expected to be emphatically up when the full year's results come out on Tuesday. RHM, with the Australian Goodman Fielder group holding an intimidating 29.9 per cent stake, is expected to show strong growth in milling and baking, reflecting the return to profits on baking after years of losses.

It will also have 4½ months from its Avana aquisition, worth an estimated £3m net of financing costs to profits which could range from £112m to £118m pre-tax, according to a string of brokers' forecasts, against £91m previously.

WHITBREAD (interims Tuesday) is expected to produce £87m before property profits against £76.6m previously. This is also before any contribution from September's £170m acquisition of James Burrough (Beefeater Gin) on a p/e of 27 against Whitbread's own 11 or 12.

In September's financial climate, the acquisition made Whitbread unpopular; the company itself calculated the dilution of earnings at some 7 per cent for 1987-88. However, today's stock markets respect the brewer/retailer's defensive qualities and may be more prepared to allow Whitbread the three years or so it will need to prove the logic of the Burrough deal.

Hybrid qualities feature on Wednesday, too, when BOOTS is expected to show profits up from £91m to £107m at the half-way mark, again excluding a property contribution. There is an apparent momentum in the company which is expected to transcend problems in the manufacturing and distribution of pharmaceutical and consumer products, especially in the US, and a decline in retail margins where none was expected.

Analysts reckon that about 12 per cent of Boots's profits are exposed to the dollar translation effect. That applies to 30 per cent of Beecham's, more at Glaxo and a lot more at Wellcome. They say that Beecham, now fully committed to drugs and health care, is going so well this year that the currency effect will hardly be noticed in Thursday's interim figures.

Helped by the absence of last year's unsuccessful Dellcare launch, which cost £7m, pre-tax profits could rise to £180m against a previous £154m, restated from the reported 1986-87 figures to reflect average exchange rates.

The retailing style which produced the BURTON GROUP'S 86 per cent leap in profits to £149m pre-tax at this time last year was evident some time before that, and the shares have underperformed the market since 1985. Outside estimates for next Thursday's results have been pared back from £185m to £180m pre tax, against £149m previously, but this hardly seems to count for much in the context of five-year plans to double the group's selling space and market share. Observers say that an interim proving ground will be the remerchandising of the Debenhams department stores.

The two big names on the industrial front next week are also due on Thursday. Maiden interim figures from BRITISH GAS are expected to reflect its [illegible] nature and produce a half year, current cost accounting net loss of £50m to £100m. The progress report will be studied less for the figures than for sales growth in the domestic, commercial and industrial sectors and particularly for indications of recovery in the industrial market.

PLESSEY had forecast a poor performance in the first two quarters of 1987-88; the first three months showed a decline from £43.3m to £35.1m pre-tax and the second is expected to emerge in the area of £40m, against £44.2m previously.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	3.00	3.04	2.29	1.67	monthly	1	-	0-7
High interest cheque	5.00	5.12	3.77	2.74	monthly	1	1,000-4,999	0
High interest cheque	5.60	5.75	4.22	3.07	monthly	1	5,000-9,999	0
High interest cheque	6.00	6.17	4.52	3.29	monthly	1	10,000-49,999	0
High interest cheque	6.40	6.59	4.82	3.51	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	5.00	5.06	3.81	2.77	half-yearly	1	1-250,000	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	500 minimum	0
High interest access	7.00	7.00	5.27	3.84	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.65	4.11	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	5.84	4.25	yearly	1	10,000 minimum	0
90-day	7.75	7.90	5.95	4.33	half yearly	1	500-9,999	90
90-day	8.00	8.16	6.15	4.47	half yearly	1	10,000-24,999	90
90-day	8.25	8.42	6.34	4.61	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bond	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issue◊	7.00	7.00	7.00	7.00	not applica	3	25-1,000	8
Yearly plan	7.00	7.00	7.00	7.00	not applica	3	20-200/month	14
General extension	6.51	6.51	6.51	6.51	not applic.	3	-	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	6.21	6.39	4.81	3.50	monthly	1	2,500 minimum	0
Provincial Trust	6.96	7.19	5.41	3.94	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
5pc Treasury 1986-89	7.53	6.14	5.21	4.44	half yearly	4	-	0
8pc Treasury 1992	8.78	6.58	5.12	3.90	half yearly	4	-	0
10.25pc Exchequer 1995	9.16	6.49	4.71	3.25	half yearly	4	-	0
3pc Treasury 1990	6.41	5.56	4.99	4.52	half yearly	4	-	0
3pc Treasury 1992	6.81	5.92	5.33	4.84	half yearly	4	-	0
Index-linked 2pc¶	7.16	6.61	6.25	5.94	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000. ◊ Special facility for extra £5,000 §Source: Phillips and Drew. ¶Assumes 4.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in in pence unless otherwise indicated				
Aberdeen Const.‡	350†	195	340	57.92	Raine Inds.
Allebone & Son	120*	103	97	34.88	Charterhall
Bramall (C.D.)	646.66†	628	548	87.09	Avis Europe
Brown (M)‡	639§	630	715	158.11	Scot.& Newcastle
Elect. Rentals	76½	66	55	222.13	Granada
Equity & Law‡	455.6	445	350	457.42	C'pagnie du Midi
ERIC	405*	380	300	14.00	TR Energy Res.
Hill Samuel‡	810*	793	684	777.00	TSB
IBL‡	41*	41	59	29.42	Inspect Intl.
Intl. Signal	139	136	219	237.36	Ferranti
McLeod Russel	427§	395	385††	50.91	Kennedy Smale
Sameclean	180†	161	137	38.97	Eagle Trust
Stewart Wrightson	328	615	500††	144.84	Willis Faber
Storehouse	302	259	349	1.21bn.	Benlox
Tech Comp Inds‡	195	400	478	11.20	Baynes (Charles)
W'house&Rixson‡	109.33†	92	91	13.08	J'son & Firth B.

*All cash offer. †Cash alternative. Partial bid. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 13/11/87. ††At suspension. Shares and cash. ◆Related to NAV to be determined. ¶Loan stock. ♣Suspended

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bailey CH	March	399	(181)	0.7	(0.3)	-	(-)
Bellway	July	7,800	(4,500)	20.8	(15.5)	8.0	(7.5)
Bibby J & Sons	Sept	34,840	(35,840)	20.9	(19.9)	8.5	(8.2)
Blenheim Exhib	Aug	1,430	(502)	12.2	(7.3)	4.0	(-)
BOC Group	Sept	263,200	(85,400)	36.3	(29.7)	12.8	(10.4)
Entertain Prod	April	650 L	(1,470 L)	-	(-)	-	(-)
Gleeson MJ	June	6,490	(5,660)	54.3	(35.1)	6.7	(5.9)
Klark Teknik	July	1,140	(907)	4.5	(3.8)	1.3	(1.1)
Law William	Sept	8,120	(7,260)	45.7	(38.9)	15.0	(13.5)
MMT Computing	Aug	1,070	(720)	34.4	(22.4)	6.2	(5.0)
Moran Tea Hldgs	June	805	(639)	109	(92.7)	30.0	(20.0)
Prewick Hldgs	July	174 L	(2,280 L)	-	(-)	-	(-)
Smiths Indust	Aug	65,700	(56,500)	19.4	(16.4)	6.5	(5.5)
UDO Holdings	July	3,800	(2,320)	11.0	(8.0)	1.8	(1.5)
Virgin Group	July	27,700	(19,100)	8.8	(7.0)	1.8	(-)
Wade Potteries	July	2,320	(1,670)	14.4	(10.4)	4.3	(3.5)
Wellcome	Aug	169,100	(125,300)	11.2	(7.8)	2.8	(1.3)
Williamson Tea	June	4,900	(3,500)	74.5	(47.5)	20.0	(20.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
All. Irish Banks	Sept	43,000	(38,790)	5.2	(5.0)
Amersham Int'l	Sept	11,700	(10,300)	3.2	(2.8)
Apricot Comp	Sept	3,020	(2,530)	0.5	(-)
Aquascutum	July	726	(569)	1.0	(0.8)
Bank of Ireland	Sept	29,600	(25,770)	-	(-)
Blacks Leisure	Aug	437	(607 L)	-	(-)
British Airways	Sept	232,000	(141,000)	2.2	(-)
British Petroleum	Sept	330,000	(297,000)	-	(-)
Caledonia Invest	Sept	5,400	(5,200)	2.5	(2.2)
Commcl. Union	Sept	127,700	(29,370)	-	(-)
De La Rue	Sept	21,570	(17,950)	3.2	(2.7)
Ellis & Goldstein	Aug	1,000	(1,500)	0.9	(0.9)
Ford Martin	Aug	206 L	(1,140)	-	(-)
Foster John	Aug	766	(467 L)	1.5	(1.0)
Futura Holdings	July	102 L	(66 L)	2.5	(2.5)
GEI International	Sept	2,050	(1,240)	1.9	(1.9)
General Accident	Sept	180,600	(87,800)	-	(-)
Gt Portland Est	Sept	12,060	(10,400)	2.7	(2.5)
GT Management	Sept	8,480	(6,240)	1.2	(1.2)
Hartwell	Aug	4,450	(2,510)	0.7	(0.6)
Hazlewood Foods	Sept	13,860	(6,360)	1.1	(1.0)
Hlth Care Srvcs	Sept	468	(311)	0.3	(-)
Henderson Admin	Sept	15,160	(13,040)	7.0	(6.0)
Land Securities	Sept	64,500	(58,100)	3.6	(3.2)
Lilley FJC	July	624	(24,480L)	-	(-)
London Internat	Sept	15,000	(11,550)	2.0	(1.7)
Metal Box	Sept	43,200	(38,600)	1.9	(1.7)
Neil & Spencer	May	585 L	(81 L)	-	(-)
NMC Investments	Sept	2,890	(1,980)	0.7	(0.5)
Oxford Inst	Sept	4,580	(8,510)	0.9	(0.8)
Phoenix Prop & Fin	Sept	2,520	(1,100)	-	(-)
Publishing Hldngs	Aug	168	(24)	-	(-)
Regalian Prop	Sept	11,600	(4,100)	1.0	(0.6)
Renold	Sept	1,200	(100)	0.5	(-)
Ryl Dutch/Shell	Sept	1,572	(1,015)	-	(-)
Royal Insurance	Sept	259,000	(193,100)	-	(-)
Sainsbury J	Oct	151,000	(123,500)	1.2	(1.0)
Scotts Restrnts	June	308 L	(418 L)	-	(-)
Smallshaw R	June	227	(106)	0.7	(0.7)
Staveley Ind	Sept	6,390	(4,380)	1.7	(1.5)
Stoddard Hldngs	June	1,140	(396)	0.5	(-)
Thames TV	Sept	12,080	(10,260)	4.4	(4.0)
Tie Rack	Aug	281	(65)	0.4	(-)
Ultramar	Sept	30,800	(9,700 L)	-	(-)
Welpac	July	404	(173)	-	(-)
Weddington JH	June	84,710	(47,260)	-	(-)
Yale & Valor	Sept	12,090	(3,510)	1.8	(1.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. third quarter figures.

RIGHTS ISSUES

City & Foreign are to hold a fourty two-for-ten rights issue to raise £101m.

Great Western Resources have announced a £35m rights issue via the issue of 6 per cent convertible loan stock.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Australia Investment Trust	Thursday	-	0.2	-
Burton Group	Thursday	1.8	4.1	2.0
Capital Radio	Thursday	-	-	2.0
Chrysalis Group	Friday	2.0	2.6	2.0
Church Charles	Wednesday	-	-	-
Clyde Blowers	Monday	0.8	0.3	0.8
Concentric	Monday	1.6	2.0	1.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

Still seeking a sense of balance

World Markets

MARKET analysts stayed with the short term throughout this week, and the short term seems to be getting shorter. But there were exceptions, not least Ian Harwood of Warburg Securities, who put his name and reputation on the line in London midweek by suggesting that the FT-SE Index could climb back to 1900 by the end of the year.

A London market seeking desperately for some good news took this forecast to heart, rising almost 5 per cent on Wednesday and a further 3.7 per cent the following day; the last trading day of the week saw (almost inevitably) some profit-taking. Suddenly things were looking good for a change, four weeks exactly after hurricane forces hit the British mainland and stronger forces still hit the world markets.

The somewhat improved US merchandise trade figures on Thursday helped sentiment, or (more correctly) gave still very uncertain markets something to grasp. Yet investors and market-makers seemed to be crowding around the exits, watching the screens for the first signs of a new downturn. Talk of "encouraging fundamentals" got crowded out with such old basics as "you can't fight the tape."

There has been too much burning since Black Monday (October 19) for a major change in mood, but at least some of the signs seemed encouraging. The US dollar firmed midweek - on

FT-ACTUARIES WORLD INDICES

Country	% Change from Aug 13	US $ % change since Oct 16
Australia	-43	-45
Austria	-6	-12
Belgium	-23	-16
Canada	-28	-19
Denmark	-2	-11
France	-21	-18
W Germany	-25	-23
Hong Kong	-44	-47
Ireland	-24	-31
Italy	-15	-23
Japan	-8	-14
Malaysia	-47	-42
Mexico	-32	-45
Netherlands	-23	-15
New Zealand	-34	-41
Norway	-35	-37
Singapore	-45	-43
S Africa	-31	-35
Spain	-14	-26
Sweden	-25	-30
Switzerland	-24	-26
UK	-18	-24
US	-26	-12

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little more than a throwaway line from President Reagan on the White House lawn - and Washington edged ever so slowly towards something of a compromise on trimming the budget deficit ahead of next week's deadline for Gramm-Rudman and an arbitrary $23bn cut.

By midweek, too, the snow came to America's East coast with a vengeance - perhaps even a signal from a higher plain to counteract the Wall Street meltdown; the climate and Veterans' Day combined to reduce business in New York and London on Wednesday had to find its own level.

The chill market winds from Tokyo overnight didn't help much, but Warburg's Mr Harwood was doing his best and some real institutional money came into the London market for a change. The US trade figures for September hit the screens at just the right moment on Thursday and London took off again.

The sleepy Continentals - a pejorative view from the City of London - were slower off the mark, but they too were catching the prevailing mood as the week ended. The German market was slower than most as foreigners caught with German stocks sold into any slight recovery. Yet overall it was all a bit like June in January, with plus marks blossoming in the November gloom. But was it for real, and would it last?

The markets now have three views for every two analysts, and brokers' circulars have suddenly become very grey. Screen-based forecasts add intimacy and a very much shorter life; circulars through the mail have to travel further and nowadays have a very short shelf life. The short term is today, and both London and Wall Street were notable this past week for most of the action taking place in the first hour of trading - on many days with proof-taking coming in

	November 14,1986	November 12,1987
FT-SE 100 Index	1644.3	1702.5
Dow Jones (Industrial Average)	1873.59	1960.21
Nikkei Dow Index	17390.5	21546.5
Commerzbank Index	1979.2	1361.9
CAC General Index	379.6	284.5

the last few minutes before the commuter trains home, and when the harassed back office settlement teams got down to the real work. There is another Settlement Day in London on Monday with the inevitable fears of some more rubber cheques

Yet - perhaps curiously, or is it complacency? - fear is not widespread, or at least does not appear to be. The reason may well be very simple: few are prepared to take the Long View, and those who do tend to have their voices crowded out in the uncertain daily marketplace. Yet they do deserve a hearing.

The small table on this page does tell a story of sorts, even if it is one that has been getting precious little notice in these hectic and concerned days. A "correction" or a "crisis" may well be the fundamental question and it is still too early to give a definitive answer. But some sense of balance is needed amid the wild gyrations.

London and Wall Street on Thursday were both still ahead of their levels twelve months ago: Japan, via the Nikkei Dow, is some 30 per cent higher. The FT-Actuaries World Index is 14 per cent higher than in November 1986; the world, excluding the US, is 14 per cent above its low this year. But Germany and France are a different story. True, virtually every market is way off the very heady days, but in straight (or devalued) US dollars and cents, there is still a respectable gain on a world spread over the past year.

Perhaps the Japanese know more than we do, although their own markets bucked the general world trend for much of the past week by registering a 7 per cent drop in the three days to Wednesday, albeit having absorbed the $37bn second block offer of Nippon Telegraph and Telephone at a mind-boggling Y2.6m ($18,864) per share.

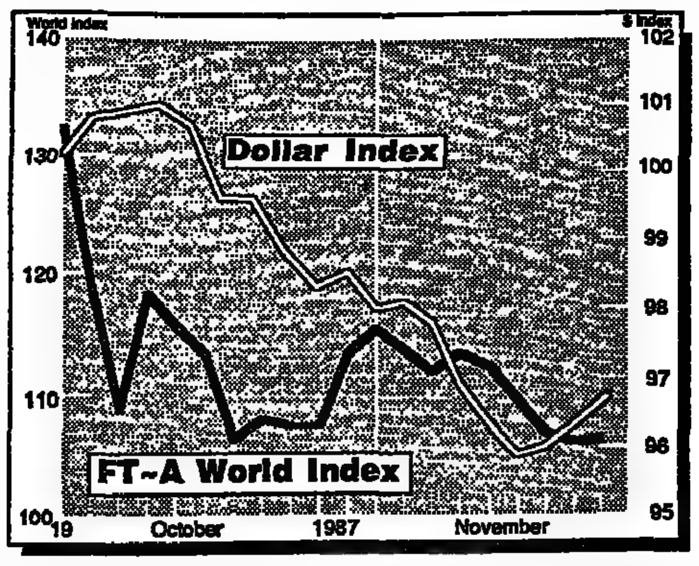
The three-day Tokyo setback was followed by some extensive local encouragement to the market from the Big Four - Nomura, Daiwa, Nikko and Yamaichi - acting in an apparent concert party with official connivance, but with no on-the-record official confirmation. By Friday the Nikkei had recovered just about all its ground lost earlier in the week

But the Tokyo Stock Exchange had an interesting story to tell following a snap survey of almost three dozen brokerage houses of business activity between October 5 and the end of last month. Net stock sales by foreigners through the Tokyo, Ossaka and Nagoya exchanges rose to a record Y2,023bn ($14.9bn) - compared with Y399bn in the August 31-October 3 period. Foreigners, it seems, run scared.

But not so the natives. In the same survey period, individuals and corporations piled into stocks in record amounts, the individual tally at Y698bn being treble the previous record hit in September!

A whole lot of people out there under the rising sun must feel they know something, despite a Wood Mackenzie forecast last week that "as we move to global markets, you can't have one market working on different rules forever...at the end of the day one has to believe in fundamentals, and prices will have to come down in Tokyo."

Tell that to the Japanese, although this week's three-day slide did seem to give the edge to Wood Mac's Bob Semple. Yet the bell wether Nikkei Dow finished the week comfortably above the psychologically important 20,000 level, almost a third higher than in this week last year.



But Monday starts another trading week and there is certainly no shortage of doom merchants, some few with long memories but most with a lot of book learning. This week saw its fair share of grim recollections of events in the wake of the 1929 Wall Street crash.

The slump in world markets since Black Monday is going to trim private sector consumption, but in Britain at least Mr Nigel Lawson, the Chancellor, remains almost supremely confident, and there were bullish comments yesterday from the powerful Industrial Bank of Japan. The IBJ predicts that Japan's GNP in the year to March 1989 will grow by 3.7 per cent "even if the (Nikkei Dow)Index remains around 22,000 throughout the year."

Sentiment in the United States is less clear, and much of it is overtly political as the parties and the candidates jockey for position ahead of next year's presidential elections. The immediate scenario *is for a compromise* alternative to Gramm-Rudman followed later this month by yet another Group of Seven meeting and some new - or reaffirmed - understanding on exchange rates.

Conventional wisdom had it last night that this should keep the world markets happy in the short term, but then how long is short in these uncertain days? Yesterday's 40-point Footsie slide *in the first few hours* of London trading showed that there is still a lot of chill about.

Dominick Coyle

Yet more familiar fretfulness

Wall Street

LAST WEEK saw the sort of fretful trading in US stocks that has become wearyingly familiar in the past month. After two days of declines, stocks started rising at mid-week and posted some quite creditable gains. On Thursday, the Dow Jones Industrial Average rose 61.01 points on turnover of 206.3m shares. This volume and increase would have been wildly bullish at the start of this year. It impresses nobody now.

Last week showed that the market continues to respond, in a nervous way, to signs of progress in tackling the imbalances in trade, savings and investment that bedevil the US. Thursday's report of a lower trade deficit in September and modest advances *in negotiations over the budget* deficit in Washington brought some investors back into the market. But the market is now so bearish in sentiment that these rises merely flush out more sellers.

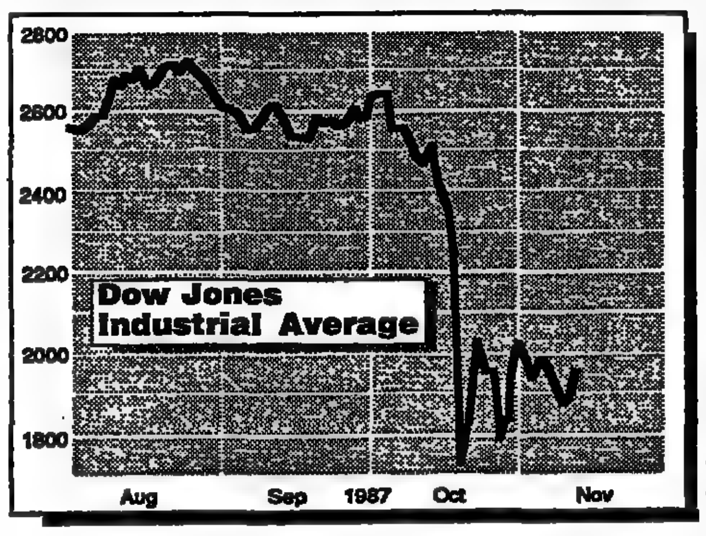
The bears' argument is quite compelling. The stock market crash on October 19 was just scary enough to provide the seeds of a solution to US economic problems. The dollar would fall so far that foreign investors need fear no further decline, Washington would rush to cut the budget deficit and US books would balance this side of a depression. As Mr David Hale, an economist at Kemper Financial Services in Chicago, wrote late last month: "A quick devaluation coupled with a credible fiscal policy could trigger a resurgence in foreign demand for US equities."

But the bears now say that the adjustment has not been drastic enough. The dollar, which ended *the week trading around* Y135 and DM1.69, was almost as weak in the spring of this year. *Meanwhile*, negotiations over the budget deficit -which is one good way of cutting the excess of domestic demand over savings - have got bogged down in political horse-trading.

The result is that the US is back where it was before October 19, with whopping budget and trade deficits and nothing dramatic happening about either. The drama will come in the markets, the bears say. The financial markets will decide that US assets must provide a higher return to compensate for the financial risks. The markets will push through some mixture of devaluation, higher interest rates or tumbling asset prices. As Mr Hale put it, the danger is that the crash "will not prove to be a sufficient warning and that there will have to be a further erosion of American asset prices to produce a budget compromise in Washington satisfactory to the financial markets."

The bulls' case is rather harder to put, largely because the bulls that were still charging after stocks in the two weeks after the crash are now just pawing the ground. But the bull argument would be some variation on the theme of value: that asset prices (excluding flower pictures by Van Gogh) have fallen far enough to be bargains relative to the cost of money.

At first sight, this argument is attractive. When stocks hit their peak in faraway August, the market was yielding dividend income equivalent to 2.5 per cent of its value. Long-term bonds were pushing towards a yield of nearly 10 per cent. At that rate, stocks were very expensive and everybody should have known better than to buy them. Since the crash, interest rates have tumbled to 8.8 per cent at the long end and dividend yields have risen to just under 3 per cent.



The yield difference between the two markets has closed by the best part of two percentage points since the crash. Stocks are no longer so expensive. That is why companies, which are supposed to know about industrial values, have launched plans to buy in some $34bn in their own shares, according to Merrill Lynch.

But shares are still costly on any but the most short-term view. According to the group specialising in quantitative analysis at Smith Barney, stocks are "still not cheap by any measure" such as price to sales, dividend yield, price to book value and price to earnings. The most widely used valuation - price to historic earnings - has fallen back from its peak of around 24 times to around 17 times. But this is still around the level at which the bull market of the 1960s blew out in 1974.

A p/e ratio this high might be justified if earnings were about to take off. If the "e" goes up, then the "p" does not have to come down. But fears of lower consumer spending and weaker economic growth next year have caused analysts to cut forecasts for next year's corporate profits

There are exceptions. Even before the crash, the market put a low value on the earnings of motor companies because new Japanese plants in the US will cause overcapacity in the 1990s. But at $72 on Thursday morning, Ford was trading at about four times its likely earnings for 1987. This is an abnormally low rating for any profitable industrial company, especially one as well-managed as Ford.

It was therefore no particular surprise that Ford announced last week that it would spend another $2bn of its cash hoard, not on building more factories to add to the overcapacity problem but on buying in its cheap stock. The stock duly responded by rising $2 3/4 to $74 1/2

While many of the other companies announcing stock buy-backs are probably just trying to reassure investors and may not buy a share, Ford is likely to carry out its promise. As a blue-chip borrower, Ford can get its funds so cheaply that it is worth cancelling shares costing the equivalent of 5.5 per cent before tax to service. With GM, the argument for buying in stock is even more compelling: the notional pre-tax cost of its dividends is 11 per cent, which is higher than its cost of borrowing. The market is telling GM to buy in stock until this anomaly in the relative cost of capital is ironed out.

Monday	1900.20	-	58.85
Tuesday	1878.15	-	22.05
Wednesday	1899.20	+	21.05
Thursday	1960.21	+	61.01

James Buchan

Richard Tomkins assesses what investors can expect from next week's sale of Eurotunnel shares

Tunnel visionaries

GREED AND FEAR, it is said, are the two main ingredients of stock market sentiment; next week's offer for sale of shares in Eurotunnel, the Anglo-French company building the Channel Tunnel, will be replete with both.

If the projections set out in the prospectus prove correct, the returns to investors will be worth a king's ransom. But set against this lip-smacking outlook is the danger not only that the returns could prove a good deal lower, but that they will fall to absolute zero if the tunnel is never built.

The attractions of Eurotunnel's shares cannot be judged by the criteria applied to other stock market investments. New issue shares are generally priced in relation to the company's profits in the previous or current year. But Eurotunnel has no earnings, nor will have until at least 1993, when the tunnel is due to open.

Indeed, no attempt has been made to price Eurotunnel's shares in relation to profitability. The price is almost an accident of history, in the sense that the banks which have lent £5bn of the £6bn needed to fund the tunnel's construction demanded that the remaining £1bn be raised in the form of equity to provide a cushion against risk. The price of 350p a share is simply the figure that produces the required sum.

So what are the shares really worth? Until the tunnel opens and the revenues start to flow, it is only possible to guess. In doing so, one is enthusiastically guided by Warburg Securities, one of the UK advisers to the issue, which has been doing the rounds in the City putting forward persuasive arguments for a considerably higher valuation.

The theory goes like this:

Eurotunnel's life will have two main phases. The first will be the five-and-a-half-year construction phase, during which there will be no revenues or dividends and the perception of risk will be high. The second will be the operational phase, from 1993 to the expiry of the concession in 2042, when the revenue flow will be established; then, Eurotunnel will be a safe and solid investment characterised by the size and reliability of its dividend stream.

Based on the projections set out in the prospectus, the dividends will indeed be high. They will rise rapidly from 39p per 350p share (a gross yield of 16 per cent) in 1994, to 85p (34 per cent) in 1998, and to £1.46 (67 per cent) in 2003. By 2033, they are projected to be £14.44 a share, representing a gross yield of 591 per cent on the issue price.

Obviously, the share price will rise to reflect this. But by how much - and when?

Once the tunnel is operational, Warburg says, investors will look at it in the same way as other equity investments and require a similar return: about 12 per cent a year at today's prices, according to Warburg's calculations.

Because Eurotunnel's dividend payments have been estimated for every year from 1993 to 2042, it is possible to work out what sum an investor will theoretically be prepared to pay for the shares once the tunnel is safely open.

This is done by adding together all the dividend payments to the end of the concession and calculating what base figure would produce that sum if it were delivering an annual rate of return of 12 per cent. (The shares themselves are assumed to have no capital value at the end of the concession).

The answer is £24. In other words, Warburg is saying that if the projections in the prospectus are believed, the 350p shares will be trading at seven times their issue price in 1993.

It is possible to take this precarious argument a stage even further. That increase in the share price over the construction period represents an annual rate of return of 41 per cent - far ahead of the 12 per cent return expected of the wider market. Of course, during this period, investors will require a higher rate of return because at this stage Eurotunnel will still be a risky investment. But will they really require a return as high as 41 per cent?

Suppose they do not. If they accept the argument for the £24 share price in 1993, then the only way the rate of return can come down is for the starting figure to come up.

If a rate of return of only double the normal rate were required - in other words, around 25 per cent - the starting figure would have to be twice the size of the issue price. In other words, according to this theory, the shares would double in value on the first day of dealings.

So much for greed. Now what about fear?

The problem with all these arguments is that they rest on the assumption that investors will believe the projections, and those in turn rest on many assumptions about construction costs, traffic flows, competition, inflation, interest rates, and so on.

Eurotunnel says the projections are based on independent advice and err on the conservative side. But the company is not short of critics who suggest that many of the assumptions are questionable.

The critics, of course, are right. It is impossible to predict with accuracy what the rate of inflation will be in 2001 or what percentage of cross-Channel freight traffic Eurotunnel will be taking in 2033. Indeed, the only certain thing about the projections is that they are wrong.

The prospectus sets out a range of alternative scenarios in which completion is delayed, interest rates are higher than expected, or traffic revenues lower. Reassuringly, none of these has a disastrous effect when taken on its own. The danger must be if there is a combination of several adverse forces acting in unison.

Eurotunnel argues that its projections are conservative enough to make this improbable. It acknowledges that its assumptions may not be 100 per cent accurate, but points out that if they are wrong, it could be for better or for worse. On balance, goes the argument, the adverse factors are likely to be outweighed by the favourable ones.

In the end, an investment in Eurotunnel at this stage can only be an act of faith. No one can be sure what the shares are worth until the tunnel opens and the revenue starts to flow.

In the meantime, the price will be dictated by good and bad news about progress on the tunnel's construction, and by that most elusive of elements, market sentiment. At present, the auguries may be good; but be ready for a stormy passage between now and 1993.

EURO TUNNEL

Q. If there is another market crash in the next couple of weeks, will the Eurotunnel issue turn into another BP?

A. Not to the same extent, because the value of Eurotunnel's shares is related to the income they will produce in several years' time, not to today's stock market values. However, demand for the stock would inevitably suffer.

Q. What would happen then?

A. Some of the stock could end up with the underwriters, who might try to offload it in the after-market. But the issuing houses have committed themselves to supporting the price until at least the end of January, so the damage should be limited.

Q. Are you saying this is risk-free investment?

A. Not at all. It is much riskier than BP, but in different ways. It is not nearly so sensitive to short-term swings in the market, but in the long-term, no one can be certain how much money it will make - or even that the tunnel will be built at all.

Q. Just how big are the risks?

A. Barring a severe breakdown in industrial relations or some unforeseeable catastrophe, the tunnel will almost certainly now be built. The bigger question is whether the returns will live up to expectations. Huge cost overruns, for example, could produce a string of rights issues. Tough price competition from aircraft and ferry operators could hit revenues. All anyone can do is to read the prospectus, listen to the arguments, and decide for themselves whether they regard the projections as credible.

Q. If I decide to go ahead, how many shares should I apply for?

A. Only invest as much as you can afford to lose. Also bear in mind that unless you are going for a short-term capital gain, the investment will be "dead" money until the tunnel opens. Do not apply for more shares than you want. In the event of an oversubscription, the rationing will be achieved through a ballot rather than through scaling down.

Q. Would I stand a better chance of getting shares by putting in multiple applications?

A. This is not a privatisation so multiple applicants will not be prosecuted. Multiple applications that are spotted, however, will be thrown out: and bear in mind that if they are not, the allocation could give you a dangerously high exposure to such a risky issue.

Q. Is this an issue for the stag?

A. Surprisingly, it could be. As explained elsewhere on this page, the upside, though highly unpredictable, is substantial. The issuing houses' promise of support for the after-market limits the downside. A heavy response to this relatively small issue could produce strong after-market demand from disappointed applicants. And the use of a ballot instead of scaling down means that allocations will not be unprofitably small.

Q. What happens when the concession expires in 2042?

A. "Privatised from birth," reads one of the French slogans for Eurotunnel. And nationalised at death, it might have added; for the tunnel will pass to the British and French governments. Possibly the concession might then be renewed, or auctioned off to the highest bidder.

Q. What if someone builds another tunnel?

A. The concession gives Eurotunnel the right of first refusal to build a second link up to 2020, but if Eurotunnel has not come up with a plan by 2010, someone else will have the chance. The projections blithely assume that no second link will be built.

Q. What is the value of the warrants that come with the shares?

A. These will effectively give the holder the right to buy one new share at 460p for every 10 held. The right can be exercised between 1990 and 1992, so if the market price is above that level then, the warrants could be a valuable perk. They will also be traded separately.

Have shares can travel

"NEVER MIND the dividends - the travel perks alone make it worth buying Eurotunnel's shares." Perhaps. But small investors should be sure to read the small print before rushing in on this basis.

The perks on offer are:

- For 100 shares (costing £350), one return shuttle trip within a year of the tunnel opening.
- For 500 shares (costing £1,750), one return shuttle trip a year for the first 10 years.
- For 1,000 shares (costing £3,500), two return shuttle trips a year to the end of the concession in 2042.
- For 1,500 shares (costing £5,250), unlimited return shuttle trips until 2042.

Note, however, that the trips are not free: a £10 registration fee has to be paid for every year in which they are used, even on the 100 share perk, and there is also a £1 each-way charge. Both fees will rise with inflation.

Further, the privilege only entitles the holder to take a private car and its passengers, or a bike (motorised or pedal cycle) and its rider(s), on the shuttle service for road vehicles which will operate between Folkestone and Calais. It is useless to passengers on ordinary trains to other destinations.

It is not valid for commercial vehicles or, surprisingly, motorised caravans. It is still unclear whether a way will be found of allowing people in hire cars to use the privilege.

Only private individuals, or the first named of two individuals applying jointly, are eligible. The perk applies only to shares bought in the offer for sale and is not transferable, and it expires with the applicant, in the sense that it is not hereditary.

Note that the entry cost to the perks is singularly high - though one would have to be a a real Europhile to prefer the 1,500 share perk to the 1,000 share one. And always bear in mind that if the tunnel is never built, there will be the additional cost of a pair of water wings.

It pays to know asset value

Clive Wolman notes the failure of investment trust companies to update asset information

THE rollercoaster movements of the stock market over the last four weeks have given the purchase of shares in investment trusts an additional dimension of risk: the difficulties of guessing the value of the assets underpinning the shares.

The failure of nearly all investment trust companies to give regular updates of their asset value has meant that once again they have failed to exploit the serious marketing errors made by their arch-competitors, the unit trusts. They have been unable to allow many investors to redeem their units on demand during the more frantic times of the last four weeks.

Those investors who have succeeded in selling their units have had to do so on a "bid" basis. This means that the unit trust groups have moved down their buying and selling prices about eight percentage points further than the fall of the underlying assets.

Meanwhile, those private investors who already have a stockbroker have been able to buy and sell investment trust shares, paying only slightly more than the usual spread between bid and offer price.

There is, however, one major difference: in the less volatile markets prior to the crash, stockbrokers were able to provide a fairly accurate estimate - to within 2 per cent - of the net asset value of the investment trust on a daily or even hourly basis. The securities firm Wood Mackenzie and a consortium of five other firms have both developed sophisticated models to track the asset values.

However, in the volatile market of the past month, some trusts have changed their strategies drastically. Govett Strategic, for example, went into the crash both highly geared and fairly fully invested but has been liquidating its stakes rapidly, whereas other funds have maintained their positions.

As a result, valuations can be wrong by as much as 10 per cent. For example, earlier this week the consortium found that its valuation for Romney Trust was out by 29p per share, a miscalculation of 7.5 per cent. Thus you might think you are buying investment trust shares on a discount of 8 per cent to net asset value, but in fact the share price is standing at a premium of 2 per cent. This is a risk which unit trust holders do not have to worry about.

A few investment trusts management companies, such as Dunedin, which manages Edinburgh Investment Trust and three others, value their assets daily, as do nearly all unit trusts. But most investment trusts restrict their valuations to once a month and several have not yet produced figures for the end of October.

Apart from providing price-sensitive information for investors, daily valuations should also help the investment trust managers to improve their decision-making. But, as Nigel Russell of James Capel points out, the management fees for investment trusts are typically very low, meaning that everything has to be run on a shoestring. Daily valuations would be a significant, albeit small, extra cost on the managers.

The investment trust sector as a whole has fallen more steeply than the UK stock market average since October 19. The level of the FT-Actuaries investment trust index relative to the All Share Index stood at 98.8 at the start of October and actually rose to 103 on October 20, the second day of the crash. But a week later, it began to fall back steadily and on Thursday it stood as low as 92.1. This is mainly the result of a widening of the average discount to net asset value from 18 to 21.5 per cent.

The discounts in some sub-sectors have widened much further. In particular, the Japanese and some of the other Far Eastern trusts have been standing on discounts of over 30 per cent. Martin Currie Pacific is on a discount of 40 per cent.

This reflects the belief in the UK that the Japanese market, which has fallen much less than other major stock markets, has been kept artificially high by the intervention of the banks and securities houses at the Government's behest, and is due for a sharp fall. As Mr Hamish Buchan of Wood Mackenzie says: "The UK market is second-guessing the Japanese. There is a lot of uncertainty about Japan."

The stocks on the lowest discounts have been those concentrated in the UK, or with high income yields. Shires Investment Trust, a high-yielding £200m trust run by Glasgow Investment Managers, is on a discount of only 14 per cent.

The continuing threat of takeover bids and liquidations is expected to prevent discounts from widening much further, even though in the 1973-74 bear market average discounts widened to as much as 40 per cent. Among the potential predators, the Kuwait Investment Office has been actively buying up stakes in the last few weeks.

For those willing to hold their breath and take a plunge, there are also several pricing anomalies to be exploited. Roger Adams of Alexanders Laing and Cruickshank suggests that higher rate taxpayers willing to take a punt should buy a combination of zero coupon preference shares and warrants on Scottish National investment trust.

The zero coupon preference shares offer a yield of 11.2 per cent per year (which should be taxed at a low rate) until the 1998 redemption date, far above anything on offer in the (lower risk) gilt-edged market. The warrants, at a price of about 14p, offer massive double gearing, as they are exercisable into the capital shares, now standing at about 43p, which are themselves highly geared.

Another more pricey anomaly identified by Adams is in the warrants on the Save and Prosper Return of Assets Trust, which invests in three Save and Prosper unit trusts, all currently on a bid basis. The warrants currently cost about 108p and give a right to buy unit trust assets worth about 325p at a price of 200p per share.

That represents a discount, even if the warrants had to be exercised immediately. But the warrants have substantial time value, as their last exercise date is not until June 1995.

Home front calm

DOES THE recent fall in the stock markets pose a threat to housebuyers relying on endowment policies to repay their mortgages? In particular, will the maturity proceeds from unit-linked contracts be insufficient to pay off the mortgage and require topping up?

The short answer is that you do not need to worry unduly at this stage, although a continued market slump would give some cause for concern.

Housebuyers whose mortgages are to be repaid by traditional with-profits low-cost endowments have little cause for concern. Life company actuaries will be considering the end-year bonus declaration at this moment. Their recommendations will be based on two factors.

First, investment income this year has been extremely buoyant and the market slump has not been based on fears of cuts in corporate profitability. Actuaries dealing with long-term funds put far greater emphasis on investment income in their assessments than most other operators in fund management.

Second, the stock market fall in the UK has so far only taken capital values back to where they were at the begining of the year, so those life companies which have not reviewed their terminal bonus rates since the begining of this year could well maintain the rates this time round.

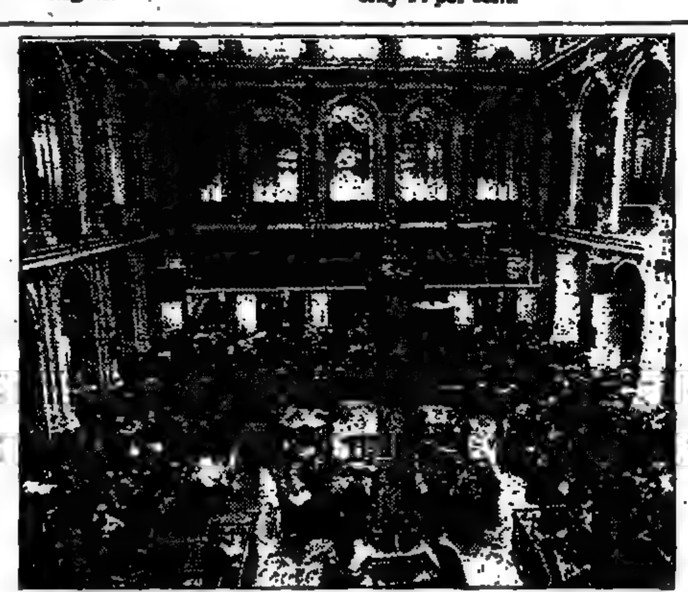
Of those life companies which increased their terminal bonus rates during this year, two, Guardian Royal Exchange and Sun Alliance, have cut their rates to the levels at the begining of the year.

The original calculations on a with-profit low-cost endowment usually assumed 80 per cent of the reversionary bonus and no allowance for terminal bonus, so in any event there is a substantial margin to spare.

Similarly, householders with unit-linked endowments have as yet no need to worry. The premiums for these unit-linked policies were calculated on an overall 7½ per cent per annum growth rate. The underlying funds will still be showing at least that level of growth overall, except for those policies taken out in the last few months.

However, unit-linked endowment contracts operate on the basis of premiums being held for the first ten years, at the end of which they would be reassessed. Thereafter assessments would be made every five years, with yearly assessments if necessary in the last five.

Eric Short



Madrid Stock Exchange: a top European performer

Investors take Spanish steps

Unit trusts are still optimistically launching new funds says John Edwards.

STILL THEY keep coming. Undaunted by the heavy losses suffered by investors, the flow of new funds from unit trust groups has not dried up.

Latest to test the market is Aetna, the UK subsidiary of the giant US insurance group, which this week launched a specialist fund - the Iberian Growth unit trust, claimed to be the first UK authorised fund dealing in the Spanish and Portuguese markets.

Spain has been one of the top performing European markets. It was the number one performer in 1986, but has been rather more erratic this year and has certainly not escaped the crash. However Aetna, like most other optimistic unit trust groups, feels that unless you believe in Armageddon, the recent fall in stock markets, including Spain, provides an ideal opportunity to buy cheaply.

"Once the dust has settled, Spain and Portugal should stand out as above average performers," says Tony Zucker, Aetna's director of overseas investments.

The difficulties some groups face in dealing in these somewhat volatile markets should be alleviated by the fact that advisers to the new fund will be Banif - part of the largest diversified financial group in Spain, with some $1bn. under management.

There are close ties between Aetna and Banif, since their parent companies both own stakes in Spain's largest insurance company and it was this link that encouraged Aetna to move into a specialised countries fund.

It is not a fund for newcomers. Aetna says it is aimed at experienced investors and intermediaries. There will be a fixed price of 50p until December 4 and a 1 per cent bonus allocation for investments before December 31. Minimum investment is £1,000.

Scottish Mutual Assurance has gone one better by launching two new unit trusts - UK Special Situations and an Income Plus fund. Ian Robertson, marketing manager, says the crash has given an excellent opportunity for long-term investment in UK equities now they have returned to fair value against gilt-edged.

Minimum investment is £500 and units are available at a fixed price of 50p until the launch date on December 1.

Meanwhile Dunedin, the Scottish fund management group, has launched a managed portfolio service for unit trusts with a minimum of £10. Called Trustmasters, it is a purely discretionary service and confined solely to the group's worldwide trusts in the UK, North America, Europe and the Far East.

Grant Cochrane, Dunedin chairman, said there had been hardly any selling of their unit trusts during the crash, but there was a demand for more professional guidance and flexibility - to move into cash, for example, when the outlook was bearish.

It had been decided to confine investment to their in-house trusts because of the proposed polarisation rules by the Securities and Investments Board (SIB). There is a 1 per cent discount on the initial purchase price and a 2 per cent discount on switching units. Annual administration charges are 0.5 per cent of the portfolio value,up to a maximum of £200.

Down come rates

WITH INTEREST rates appearing to settle down, more reductions in the cost of home loans were announced this week following the move by the Halifax Building Society to cut its mortgage rate to 10.3 per cent.

NatWest was the first clearing bank to follow. It reduced its rate by 1 per cent to 10.25 per cent with immediate effect for new borrowers and from December 1 for existing mortgages.

Barclays moved soon after, announcing a cut of 0.95 per cent to 10.3 per cent, effective from December 1 for new and existing borrowers.

Yesterday Midland cut its rate by one per cent to 10.3, and TSB went down to 10.3 for endowment and pension mortgages and 10.8 for straight repayment homeloans.

Girobank, a recent entry to the mortgage market, in a surprise move cut its mortgage rate for loans of over £50,000 to 9.9 per cent and to 10.2 per cent for smaller amounts.

Abbey National confirmed that, as previously announced, it would cut its home loan rate for all borrowers from December 1, but has not yet decided on the figure. John Bayliss, general manager, said they wanted to wait a little longer in view of the unsettled markets. "Anything can happen on Monday," he said.

However, Northern Rock Building Society is going ahead and cutting its rate to 10.3 per cent immediately for new loans, but will not make a decision on the rate for existing borrowers for a week or two. Yesterday Leeds Permanent, one of the biggest leading building societies also cut its rate to 10.3 per cent.

The Mortgage Corporation, which lowered its rate to 10.25 per cent last week, has cut it again to 9.95 per cent for new loans. The rate for existing borrowers drops to 10.25 per cent on December 1 and to 9.95 from January 1.

The corporation said the reductions followed movements in the money markets. The rate for its Libor (London Interbank Offered Rate) based mortgages launched at 10.9 per cent on October 9, has been cut to 9.75 per cent for applications received before December 15.

House Mortgage Corporation is lowering its rate by 0.75 to 10.15 per cent, effective immediately for new loans and from January 1 for existing borrowers. The rate on its First Home 100 per cent mortgages, introduced last month, has been cut from 11.65 to 10.50 per cent with immediate effect.

As an extra sweetener, the 10.50 per cent rate is guaranteed not to increase before July 1 next year, but could decrease further if interest rates fall in the meantime.

John Edwards

Business Expansion Schemes show caution

An opportunity skipped

ANOTHER Business Expansion Scheme issue was withdrawn last week in response to stock market conditions, but one greenfield project is pressing ahead despite the crash.

The withdrawn issue was for Minitips (UK), a company which planned to sell franchises for a skip waste removal service. Minitips' prospectus had been sharply criticised by Steven Rowe, an analyst at BES Investment Research. The directors decided this week to withdraw the issue and fund the company privately.

The issue which is proceeding is that of High Performance Composites. The company intends to manufacture glass reinforced plastic pipes for use in the oil and the chemical industries. GRP pipes are remarkably strong for their light weight and are corrosion-resistant.

HPC plans to lease premises in Newport, Gwent, with the factory scheduled to come into operation in September 1988. That means that investors would be unlikely to receive their BESS certificates until the spring of 1989, though tax relief would apply to the current financial year.

Although start-up projects are even more risky than other BES issues, the board has a lot of experience. The chairman is Roger Bowes, formerly chief executive of Mirror Group Newspapers and Express Group Newspapers; and the chief executive is Leslie Ainsworth, who has been working in composites for over a quarter of a century.

HPC is aiming to raise a minimum of £900,000 and a maximum of £1.5m. Provided it raises at least £1.3m, grants of up to £350,000 will be available from the Welsh Office. Investors are being asked by sponsor Oceana Asset Management to subscribe for at least 1,000 shares at £1 each; there are, refreshingly, no sponsors' options or "golden shares".

Philip Coggan

Christine Stopp on savings schemes

A regular bear-beater

REGULAR SAVINGS *plans in* unit trusts and their investment trust counterparts have always been good value for money, offering a low minimum for an equity investment and a relatively painless way of building a lump sum.

What makes such plans attractive in bear markets is what is known as "pound cost averaging." This means that if you are making a fixed, regular contribution, your monthly savings will buy more and more units or shares as prices fall. The average price you pay for each unit should, therefore, be lower than the average quoted price over the period.

This is merely a statistical phenomenon. Another way of looking at a regular savings plan is as an investment discipline. With lump sum investments, the investor has to make buying and selling decisions from time to time, depending on his view of the market. However, once committed to a regular savings plan, buying decisions are made for you, spreading your investment over a variety of conditions.

Provided you don't cash it in during a bear market phase, a regular savings plan performs according to the classical, but not much practised, investment strategy: it buys more shares when they are cheap.

Since you can invest as little as £20 a month, these plans can be used for keeping a toe in the water while share market conditions are volatile. It almost goes without saying that a regular savings plan should be a long-term (ie five years plus) investment, though there are no penalties for early encashment.

If you had invested £20 a month over five years in the median UK General unit trust, your total savings of £1,200 would have grown to £2,609 by October 1 this year. A similar investment in a UK Equity Income fund would have produced £2,917, compared with £1,445 in a building society.

Prolific, which launched a regular savings plan at the end of September, quotes a projected five-year return to October 1 of £8,035.90 on a £50 monthly saving in their High Income trust. *The group has found* that, after a good reception initially, new applications dried up following the market crash, despite the argument that now is just the time to get in.

James West, managing director of Globe Investment Trust, puts the view that current values are too attractive to miss: "Not many of us are clever enough to pick tops and bottoms in cycles. We have had a 34 per cent fall. The market won't fall another 34 per cent. The regular investor must be buying somewhere around the lower levels."

Regular savings plans in investment trusts are not yet as widely known as the unit trust variety. They offer a way to buy investment trust shares without a stockbroker and combine savings with the ability to make a gift of shares to a third party and reinvest dividends.

The big attraction of investment trust plans is their relatively low charges. Annual management charges are usually only about 0.4 per cent or less, compared with as much as 1.25 per cent with unit trusts. If you

deal in investment trust shares through a stockbroker you would probably pay a minimum of 1.65 per cent commission on both purchases and sales.

Investment trust regular savings plans depend on bulk purchases of their own shares by the managers who, as major market operators, may shave commissions to much less than the individual investor would pay.

Most of the big investment trust groups now offer a regular savings scheme. You can invest in over 50 trusts in this way, including a wide range of geographical specialist trusts.

Pound cost averaging is most effective with a volatile fund. In theory, the best trust for regular savings is one which stays in the doldrums, then rockets up just before you cash it in. In practice, the more volatile sectors do not usually rise fast enough, when the time comes, to make up for the flat periods. Among unit trusts Far East and Commodity and Energy sectors have done far worse for regular savers than the UK sectors.

Regular savings plans are ideal as gifts for children and the investment can be boosted by using a deed of covenant. There seem to be few, if any, disadvantages to these plans, though a long-term large investor might have trouble computing his CGT position.

Details of schemes can be obtained from the Unit Trust Association (01-638-3071) and the Association of Investment Trust Companies (01-588-5347).

A question of ageism

Eric Short on discrimination in pension plans

FROM THIS week, women employees can no longer be forced by their employer to be retired at an earlier age than male colleagues, a right conferred by the 1986 Sex Discrimination Act, which came into force from November 7.

Up to last week, most employers operated a differential retirement age for men and women - usually 65 for men and 60 for women, in line with the State pension ages. On reaching the age of 60, women employees could be forced to stop work and take their pension, while their male colleagues could continue working until 65.

In future, any women who is forced to retire before the age of 65 can claim both unfair dismissal and sex discrimination against their employer at an industrial tribunal.

However, if men think that the Act means they will now receive their pension at the same age as women then they need to think again as far as the State scheme and most company pension schemes are concerned, as the differential age still applies.

The 1986 Act is about ending discrimination over the right to continue working, not about ending discrimination over the right to take a pension. The Act is the result of the famous Helen Marshall case at the European Court of Justice, which ruled on the right of a woman to be able to continue working until the same age as her male counterparts.

To most people, retirement and pensions are synonymous, but not to the legislators. The Act introduces two concepts - a retirement age at which employees cease working and a pension age at which employees begin receiving a pension. These ages need not be the same. Thus the Act, in ending discrimination over employment, has created discrimination over pension.

If a woman decides to continue *working after the age of 60* then two discriminatory factors come into effect. First she stops paying National Insurance contributions, while her male colleagues still continue their payments. Second, the State pension she will eventually receive will have been increased because of the deferral. The formula for calculating the increase is complex - 1/7th of a penny for each £1 of pension for each week before the age of 60 that retirement is deferred - roughly a 7½ per cent increase a year.

This means that if she works until she is 65 her State pension would, at today's value, be £54.23 a week, while her male colleague retiring now at 65 would receive £39.50 a week.

An even more similar situation applies to the woman's company pension. On deciding to work beyond the age of 60 she generally has two choices: either she can cease contributions and draw the company pension straight away - thus having two incomes - or she can cease contributions but defer taking her pension under the late retirement provisions of the scheme, with the ultimate pension usually being the entitlement at 60, increased on an actuarial basis.

Some schemes will even allow extra years of service to accrue and will base the pension on the final salary and years of service to the actual retirement.

However, this situation relates to a woman employee who qualifies for full pension entitlement - a situation that does not often occur in practice. It is more usual for women to qualify for much smaller pensions because they do not complete a sufficient number of years' service, so any increment usually cuts back on the differential with men.

Pressure has been increasing on the Government to introduce a common pension age into the State scheme - a select commitee recommended 63. The private sector would automatically follow.

The 1986 Act would have provided an ideal opportuntity to set the ball rolling on this long-overdue reform. But the Government, amid all its other radical changes, side-stepped this by announcing yet another investigation into the subject - an investigation that shows no signs of having started.

However, if there is evidence of women using their new right to carry on working, then the pressure for an equal retirement age could increase very rapidly. Meanwhile, employers can resolve this paradox by introducing a common pension age into their company scheme, an age that would automatically become the retirement age.

On the evidence so far only a minority of employers have taken the opportunity to do this. Most have decided to wait and see how many women do want to continue working.

However, the introduction of a common retirement age does not necessarily mean that men will get their pension earlier than the age of 65. Although some schemes are retiring all employees at 60, others are selecting 62 or 63, thereby making women work longer to qualify for full pension, and many schemes are selecting a common pension age of 65, making women wait five more years for their pension.

Many employers are opposed to lowering the pension age below 65, and not only on the grounds of cost. Male employees, for their part, are wary of allowing employers the right to force them to stop work before 65.

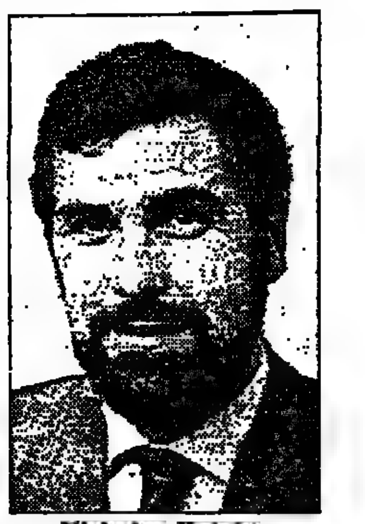
There is an urgent need for the Government to give clear lead in resolving this radical anomoly. Meanwhile, employees should check out what their employer is doing in respect of the Act.

Predictable differences

William Cochrane reviews strategists' views of the future

Mike Osborne
Kleinwort Grieveson

Neil McKinnon
Nomura Research



Nicholas Knight
James Capel

INVESTMENT STRATEGISTS and economists at London's stockbroking houses have been having a high old time lately (if somewhat exhausting) as world markets have dropped lower and lower.

They are there, as Peter Thompson of Barclays de Zoete Wedd sees it, to paint the economic, fundamental and psychological background against which the business of securities trading goes on. They are called upon to make predictions as a matter of course. But the predictions these days are needed more frequently and, indeed, have become news in themselves.

Along with a number of his contemporaries, Mr Thompson was asked to predict the level of the FT-SE 100 Share Index, both seven weeks and five months ahead, on October 29 when Footsie was 1680 and there were more squalls to come. The results are in the accompanying table.

Mr Thompson is one of those who have plumped for the middle ground. He foresees equities fluctuating in a band between 1550 and 1700. He does not expect Footsie to get any further until the market can say that there is going to be no major world recession, and that, he says, "will not be clear for twelve months or more."

Further up the scale, Nicholas Knight of James Capel has said consistently since the crash began that the market should be significantly higher than its recent lows by the time of the Budget next year. "Looking at the forecasts," he said this week, "I was disappointed that I was not higher up the range."

He notes that over the year as a whole, the Tokyo market was still up by 17½ per cent on Monday, New York was 0.4 per cent ahead and London was 5.7 per cent down. "Now London should begin to march to a different tune", he says. "The UK has a good economy and political stability and equities are relatively cheap."

FT-SE MARKET FORECASTS

Predictors		Dec 15,1987	Mar 31,1988
Peter Thompson	BZW	1650	1700
Nicholas Knight	James Capel	1800	2000
Mike Osborne	Kleinwort Grieveson	2100	2500
Neil McKinnon	Nomura Research	1850	1950
Stephen Lewis	Phillips & Drew	1300	1500
Peter Warburton	Shearson Lehman	1650	1750
Nick Whitney	Warburg Securities	1900	2050
Adrian FitzGerald	Wood Mackenzie	2000	2000

Source: Crawford's City Changes, November 1987

Mike Osborne of Kleinwort Grieveson holds his ground unrepentantly at the top of the estimates. "If you try to argue an economic case for the collapse of the UK equity market you will find it impossible," he says. "But if you can remove the American problem - the budget deficit, the Democrats' unwillingness to slash expenditure, President Reagan's refusal to raise taxes - then you can talk about markets moving up very sharply indeed."

He acknowledges that he is talking as an economist and that his own firm's market makers do not agree with him. "There are three big 'ifs' to this," he says: "IF the Americans put their house in order; IF stability comes to the foreign exchange markets; and IF Mr Nigel Lawson, the UK Chancellor, comes in with more relaxed financial measures so the UK economy does not slow down dramatically, the prognosis looks very favourable."

At the other end of the scale, Stephen Lewis of Phillips & Drew aimed low, he says, because he was putting more emphasis on the liquidity difficulties which many UK investing institutions are now experiencing.

Since the market fall began, he says, the funds have seen some of their wealth wiped out by the fall in markets. Their cash flow has also been soaked up by sub-underwriting the BP issue and they have had to absorb some shares in UK companies which the Americans sold when their own market went "phut."

"I would expect a small pick-up in the market now," Mr Lewis said in mid-week, "but there is likely to be a weak phase approaching the end of this year when institutions will want to show large amounts of cash and fixed interest investments in their balance sheets."

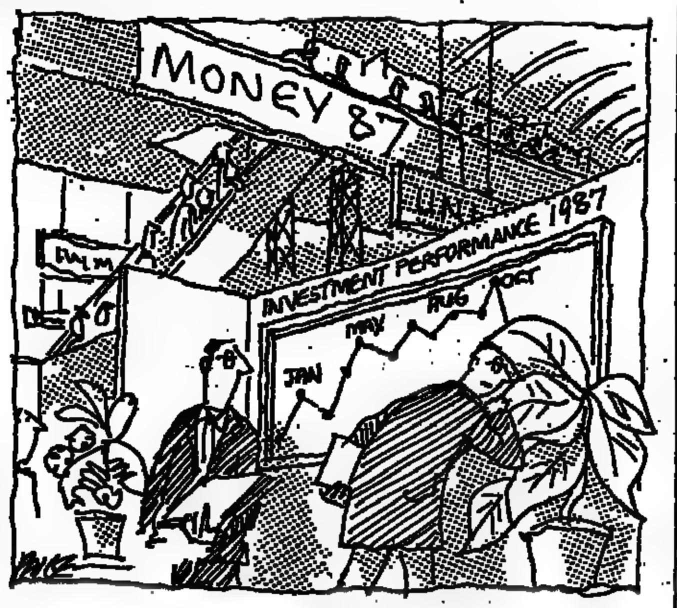
What about a foreign view? Mr Lewis has indicated how Americans feel about UK equities, and Neil McKinnon of the Nomura Research Institute says much the same for Tokyo. "The Japanese view, essentially, is that given the levels of performance worldwide, they are likely to favour their own markets," he says. "Overseas investment comes some way down on their list of priorities."

For himself, he expects varying degrees of volatility from world markets. "Given that the UK has been one of the worst performers on the way down, it may be a little time before we can say that it has touched bottom," he concludes.

· FINANCE & THE FAMILY ·

Crash? What crash?

Kevin Goldstein-Jackson at the Money 87 exhibition



ON OCTOBER 29 I bought shares in Shiloh for 317p each. On November 4 they fell by 65p. Had the market gone mad?

Shiloh had already fallen from the 1987 high of 395p and had announced increased profits before I bought its shares. Yet still they fell further. The company's price/earnings ratio was less than eight and the whole company was only capitalised at £7.5m. If a company like that was not a "buy" then what was?

Seeking an answer to this question I went to the Money 87 Exhibition at Olympia in London last week. My first impression, on the opening day of the Show, was that the great stock market crash of '87 had never happened.

Some exhibitors' stands featured dramatic declarations of their excellent investment performance and one even featured a spectacular chart showing the magnificent rise of its investments - although the chart stopped before the October crash.

Many of the promotional leaflets available were clearly out of date. The long printing schedules for glossy brochures is clearly understandable and explains why they could not take account of the crash - but what excuse is there for putting out a one-page, plainly printed document that fails to take account of the October downturn and instead concentrates on rises earlier in the year?

Some exhibitors, however, did manage to produce much more up to date figures of their investment performance and a number pointed out that the gilt funds and currency funds should perform better than shares in a bear market.

DIARY OF A PRIVATE INVESTOR

In my FT article published on April 18 I commented: "This year might prove somewhat similar to 1973-1974" and there might be "a sudden and prolonged downturn in the market" Surely there must have been other bearish people around at that time?

What I was looking for at Money 87 Show was an investment management group that could boast about either having predicted the crash and/or made money during it. The nearest I got to this was on the Shearson Lehman stand, which had a photocopy from a financial publication of an article headed: "Shearson's Garzarelli gains fame for predicting Wall Street crash."

Apparently Ms Garzarelli turned bearish on September 9 and by October 19 her fund was 50 per cent invested in cash, 40 per cent in two-year Treasury Bills and 10 per cent in stock option "puts," which gave the right to sell shares at specific prices in the future and, therefore, increased in value as share prices fell.

But surely there must be something better if, like me, you feel the US dollar still has some way to fall.

At last year's exhibition, I came home with lots of ideas and free ballpoint pens. This year, not many exhibitors had baskets of free pens. Is this a sign of the times?

I did come away with two free booklets, both excellent reading and published by SIB, the Securities and Investment Board. One was A Guide to the New Regulatory System for Financial Services and the other was Self Defence for Investors.

The latter is complete with cartoons explaining various sales techniques and translates such gems as "this company had developed a miracle process which will completely revolutionise the industrial/or medical world," into ... "this company is trying one of the oldest cons in the world, popularly known as the snake oil pitch..." If you want a copy of these free booklets, write to Securities and Investment Board, 3 Royal Exchange Building, London EC3 V3N1

As to my own investment decisions after attending Money 87 I simply decided to keep my cash in the bank and buy some more Shiloh shares for 260p each. This "averages down" the cost of my shareholding. If Shiloh falls still further that can be translated as " throwing good money after bad."

Donald Elkin reports on revenue problems for airline crew

Airport tax

WORKING overseas has become a British habit surviving the demise of the Empire. In consequence Britons can be found in almost every imaginable occupation throughout the world, and all will have to grapple with the complexities of UK tax law at one time or another.

However, British aircrews of foreign airlines might, with some justification, feel worse off than most in this respect. If their employment spans a complete tax year (ie April 6 to April 5) and does not involve flights to Britain (ie it is carried on wholly overseas) they will be regarded as Not Resident and Not Ordinarily Resident in the UK, provided that any periods of home leave do not exceed either six months in any one tax year or three months per annum over a four year average. But if they do fly to Britain, even non-residence will not prevent a theoretical liability to tax on pay relating to this part of the journey. Even foreign aircrew are affected by this rule.

Few assessments result, since many cases are covered by the provisions of a double taxation agreement and the Inland Revenue rarely pursue those that are not. Consequently achieving a status of Not Resident and Not Ordinarily Resident will in practice mean that tax liability is restricted to UK source income such as rents.

In sharp contrast, the retention of a home in Britain for those whose job involves flights to and from the UK usually results in the loss of non-residence status. Tax complications then set in with a vengeance! All visits, whether on leave or on duty, count towards the six months and three months average limits.

Nevertheless, duties which are in fact performed in the UK but which are merely incidental to those you carry out overseas will be ignored when determining whether or not employment is undertaken wholly abroad. Temporary residence in Britain for up to three months to attend a training course attracts the "incidental" classification, as do emergency landings. Passengers will no doubt be pleased to know that their safety is not in danger for tax reasons!

On the other hand, scheduled landings in Britain involve substantive duties, as the Amsterdam-based British KLM pilot who was the subject of the High Court case of Robson v Dixon found to his cost. Furthermore, following a recent change of Inland Revenue practice, nor will bringing an aircraft in for major overhaul be regarded as incidental.

The fact is that those carrying out non-incidental duties in the UK and who have a UK residence available for their occupation are treated in the same way as someone living permanently

in Britain. They are thus taxable on worldwide income and capital gains whether or not they arise in or are sent to Britain regardless of where duties are performed.

They will, however, qualify for a resident's tax reliefs. Happily, the taxation of salary - even the part which relates to flights into and out of the UK - can be prevented, with the help of the provisions contained in the Finance Act 1977. These rules are activated where employment is carried on during a "qualifying period" which amounts to 365 days or more (whether or not a full tax year is involved).

The qualifying period can consist of days spent abroad and - within strict limits - days spent in the UK. In order to be included time spent in Britain must not exceed either 62 consecutive days or one sixth of the days in the period.

Considerable importance attaches to the retention of a UK home, so careful consideration of the law and Inland Revenue practice is essential. Availability is the vital factor, actual occupation or ownership being immaterial. Consequently, a property in Wick could be sufficient to cause a loss of non-residence during a brief stop-over at Gatwick en route to another destination even though it would be impossible to travel to the house in the time available! The right to live in a house is the crucial factor, so even acquiring a property in the name of a son, for example, may not change the position.

However, the Inland Revenue ignores property rented for short periods (furnished accommodation for not more than two years and unfurnished for not more than one year) as is property owned but let out on a commercial basis - even if at the time of a visit it happens, coincidentally, to be unlet.

BRIDGE

THE FIRST hand today was played by Lorna Byrne and Marlief James in the Epson tournament. In a brochure commwentary Omar Sharif says: "This is a deal where the bidding is highly predictable. West opens with one no-trump, and goes one down if North leads the nine of spades." Here is the hand:

N
♠ 9 2
♥ A 10 7 5
♦ A Q J 9
♣ Q 8 5

W
♠ A Q 5 4
♥ K 8 2
♦ K 7
♣ A 10 6 3

E
♠ K J 8 6
♥ 6 4 3
♦ 10 2
♣ 9 7 4 2

S
♠ 10 7 3
♥ Q J 9
♦ 8 6 5 4 3
♣ K J

With East-West vulnerable West dealt and bid one spade. Lorna Byrne, sitting in the North seat, doubled, East raised to two spades, and South, undaunted, competed, not with three diamonds, but with three hearts. Confident that her partner held four hearts, North raised to four. Taking this as a personal insult, West doubled, and all passed.

West led the ace of spades, and another spade was won by the king. East switched to a club, and South's knave lost to the ace. Winning the club return in hand, the declarer ran the queen and knave of hearts, West ducking, then led a diamond and finessed the queen. The heart ace drew the trumps, the diamond ace dropped West's king, and the declarer claimed her contract: nothing to it! Four hearts doubled was worth 100 per cent. If West had not decided to double, North-South would have scored 97 per cent.

Omar Sharif says: "If West elects to open with one club, he will live to regret it when North-South commandeer the auction in diamonds, where there are 10 tricks and an 80 per cent score for the taking." He does not consider the heart contract, but then the tournament is run by Epson, and "anything is possible".

My second hand comes from a rubber:

N
♠ A J 10 6 3
♥ A 8 6 3
♦ J 5
♣ 6 2

W
♠ 8 5
♥ K 4
♦ K Q 10 9
♣ A Q 8 4 3

E
♠ K Q 9 7 2
♥ 5 2
♦ 6 4 3
♣ J 10 9

S
♠ 4
♥ Q J 10 9 7
♦ A 8 7 2
♣ K 7 5

West dealt at game to East-West, and opened the bidding with one club; North came in with one spade, and East passed. South said two hearts, and went to four hearts after a raise from his partner.

West made his natural lead of the diamond king and the ace won. Crossing to the ace of spades, declarer ruffed a spade, and led the queen of hearts. This was allowed to hold; a second heart drew the remaining trumps, and another spade was ruffed.

When West showed out, his hand was open to a complete count. He had started life with two spades, two hearts, four diamonds, and five clubs. It was time for West to be endplayed.

The declarer led a diamond, which was taken by the queen, and West continued with the 10. Instead of ruffing, dummy let go a club, and when the nine of diamonds followed, dummy threw his last club. The moment of truth had arrived. West had been allowed to make three diamond tricks, but now he had to lead a club - the ace or a low card - and set up the declarer's king for the tenth trick.

So simple - but many a declarer would miss it.

E.P.C.Cotter

Borrowing to offset interest

Could you please clarify whether a UK citizen working abroad for several years and not paying UK income tax currently, can borrow money abroad from his employers, a bank, or as a mortgage and offset the interest payments against rents received from letting the UK house?

MIRAS is not involved, but would the 27 per cent of gross rents have to be first paid to inland revenue and only after the end of each tax year a claim be made for refund of interest on the mortgage? This means a lot of extra financing.

Can an agent receiving rents for the expatriate pay the UK tax on the net rent after: (i) deduction of management fees? (ii) mortgage interest? (iii) rates and other expenses?

If the mortgage interest cannot be offset against rents from lettings because the mortgage is provided by an employer abroad, could the situation be changed by registering a private company in the UK to hold the UK property on a lease and receive rents?

If the bank has its head office in the UK, the answer to your first question is probably yes. If the bank's head office is outside the UK, the answer is almost certainly no.

The answer to your second question is no, if you have an agent collecting the rents in the UK; otherwise it would be yes.

The answer to your third question is yes; the answer to the fourth is no.

Ask your UK tax office (or Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB) for the following free pamphlets: IR11(1985) - *Tax treatment of interest paid*; IR20(1986) - *Residents and non-residents: liability to tax in the UK*; IR27(1984) - Taxation of income from real property.

Accounting for CTT

Regarding CTT assessment - my accountant asked the inland revenue what my commitment was under this heading and after months of waiting they came up with the figures. As we do not agree on these he wrote again last July for clarification. Since then we have heard nothing. My accountant therefore considers that I should pay something on account, which in the circumstances I am rather loath to do.

As you will see, much of the assessment relates to interest charges. *In one instance, this goes back 11 years!*

I should like your opinion as to whether you consider it justifiable for the revenue to demand interest when apparent laxity on their behalf has taken place and no assessments appear to have been made.

If you look at your figures you will see that the interest charge is only calculated from six months after the chargeable transfer; not from 11 years ago. The interest rules were intended by parliament to prevent taxpayers from benefiting from delays at inland revenue offices. If you consider that to be unjust, you may wish to write to your MP.

Gains on share profit

I would like to enquire what amount you can gain on the sale of shares before you are required to pay income tax?

You can realise net chargeable gains of £6,600 after indexation relief in the current tax year before becoming liable to pay capital gains tax. A private investor is most unlikely to be assessed for income tax on profits on sales of shares, except shares in so-called offshore funds.

Flat denial

We are trying to sell our home, a four-bedroomed house, and are finding it a slow and troublesome process. One unexpected delay after another keeps cropping up on the part of the buyer.

As an alternative we are considering turning it into three flats and selling the flats. The house already has planning permission to improve three flats, as opposed to converting the three flats. I have been told that this situation was dealt with by the FT some few years ago and the reply was that there was no liability to income tax because the situation involved improvement to existing flats, rather than conversion to flats, and the family had occupied the flats for their own accommodation. I assume there is no liability to capital gains in any case.

Your assumption that there will be no CGT liability suggests that you are not a regular reader of our Briefcase column. As your solicitor will explain, subsection 3 of the section 103 of the Capital Gains Tax Act 1979 denies exemption from CGT "in relation to a gain so far as attributable to any expenditure which ... was incurred ... partly for the purpose *of realising a gain from* the disposal."

Subsection 2 says "If ... there is a change in what is occupied as the individual's residence, whether on account of a ... conversion of a building or for any other reason ... the relief ... may be adjusted in such manner as the Commissioners concerned may consider to be just and reasonable."

Talk things over with your solicitor. All good solicitors are prepared to advise on the tax aspects of domestic property transactions, as an integral part of their conveyancing service.

· BRIEFCASE ·

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Avoiding gifts tax

If we, husband and wife both in our seventies, wish to give away small cash sums (not more than £10,000 in one tax year) for the next few years, are we correct in thinking that the donees will escape tax, provided that the total gifts do not exceed £90,000, after excluding the £3,000 limit of exempt transfers?

Also, does the £3,000 limit apply to both husband and wife, making £6,000 in all for one tax year?

As a first step you could write to the Capital Taxes Office, Minford House, Rockley Road, London W14 ODF, for the free booklet on inheritance tax, IHT1. After that, it might be simplest to talk with your solicitor or an accountant.

The £3,000 exemption applies to husband and wife separately, but they must act independently in making gifts. For example, the husband cannot give £3,000 and then give £3,000 to his wife *for her to give* in accordance with his wishes.

Trust fund liability

I administer a trust fund in which one of the Life Interest is a 24-year-old American citizen. She is still at college and her share of the income is derived from stocks and shares at source in the UK and rent from UK property on which the trustees are liable for UK tax.

Could you please advise me whether I can reclaim the tax paid on her share of the income so that the gross amount can be remitted or whether she will have to make a claim on her own behalf.

If you mean that she is at college in the US then unfortunately she is not entitled to any relief from UK tax on her share of the trustees' schedule A assessements, unless either:- (i) she also has Commonwealth or Irish citizenship; (ii) she has at some time been employed in the service of the Crown; (iii) she is the widow of a former Crown servant; or (iv) she has lived in the UK and is now living abroad for the sake of her health or the health of a member of her family resident with her.

If the stocks and shares in question are in UK companies, then she is entitled to tax credit payments equal to 12/73rds of the dividends for the current tax year. For 1986-87, the rate of tax credit payment is 14/71sts; for 1981-82 to 1985-86, the rate is 3/14ths. This entitlement arises from article 10 (2) (a) (ii) of the US-UK double taxation convention of December 31 1975. If they are indeed UK company stocks and shares, then it is not really correct to say that the dividends have been "taxed at source": deduction of income tax from dividends of UK companies was abolished with effect from April 6 1973.

If by "stocks" you mean loan stocks etc then she is entitled to repayment of the whole of the income tax withheld. This entitlement arises from article 11 (2) of the double taxation convention.

If any of the stocks and shares are in overseas companies, then she is entitled to repayment of the whole of the UK income tax deducted.

The student will have to submit claims herself, supported by the certificate R185E which you issue to her and which should be accompanied by a fully detailed analysis of the income certified. You may like to send her a copy of the free booklet IR20 (1986) - Residents and Non residents: Liability to Tax in the UK - obtainable from your tax inspector's office.

CHESS

Novices' guide to zugzwang

THE GERMAN word "zugzwang", like the pawn capture "en passant" and the muttered "J'adoube" before a player adjusts a piece, is part of an international vocabulary which symbolises the global appeal of chess. The use of "luft" for an escape route for a castled king, or "zeitnot" for time pressure on the chess clock, are also becoming international phrases.

Zugzwang, however, remains the most puzzling and difficult for the novice. It occurs when defender's position has become so tenuous that any move he makes will significantly worsen his chances: but under the rule that players move alternatively, he must take his turn and concede ground. Zugzwangs are frequent in the endgame, and a *standard example of the theme* is the opposition of the two kings in a pawn endgame when they face each other directly across the central squares. After any spare waiting moves are exhausted, one king must give way and allow its rival a convenient route for a raid on the enemy pawns.

It is naturally very rare for them to occur in the middle game, with many pieces on the board, but there are two of these celebrated in chess lore: the "immortal zugzwang game" which Aaron Nimzowitsch won from Friedrich Samisch in 1923, and Nimzowitsch's loss to Alexander Alekhine seven years later.

Nimzo used his win to help gain recognition for his books "My System" and "The Praxis of My System" which have been a guide to strategy for generations of masters and strong amateurs. His system was blockade, containment, constriction, and the domination of weak squares. Phrases like the "absolute rook on the seventh" or the "passed pawn's lust to expand" derive from Nimzowitsch, and to have an immortal game as part of the praxis added to the mystique.

Petrosian, former world champion, and Nigel Short are among the eminent grandmasters who have listed Nimzowitsch as a major influence on their style. His two classics have recently been re-issued by Batsford and should *be part of the library of any am*bitious player.

Nimzo in his time was the self-styled "Crown Prince" of the chess world, rival to Alekhine for a match against Capablanca, though unable to raise backing; then would-be challenger to Alekhine. When they met at San Remo in 1930, Alekhine's first major event since winning his title, Nimzo's credibility was at stake. Alekhine demolished it, forcing the zugzwang in a style directly out of his rival's own books.

White: A. Alekhine. Black: A. Nimzowitsch.

French Defence (San Remo 1930)

1 P-K4, P-K3; 2 P-Q4, P-Q4; 3 N-QB3, B-N5; 4 P-K5, P-QB4; 5 B-Q2, N-K2; 6 N-N5, BxB ch; 7 QxB, O-O; 8 P-QB3, P-QN3? (better N-B4); 9 P-KB4, B-R3; 10 N-B3, Q-Q2; 11 P-QR4, QN-B3; 12 P-QN4! PxNP; 13 PxP, B-N2; 14 N-Q6, P-B4; 15 P-R5, N-B1 (If PxP; 16 P-N5!); 16 NxB, QxN; 17 P-R6, Q-KB2; 18 B-N5!

Simple chess. White masses his *major pieces on the only open* file, so that Black's defenders are quickly placed in a log-jam.

18...N(1)-K2; 19 O-O, P-R3; 20 KR-B1, KR-B1; 21 R-B2, Q-K1; 22 R(1)-QB1, QR-N1; 23 Q-K3, R-B2; 24 R-B3, Q-Q2; 25 R(1)-B2, K-B1; 26 Q-B1.

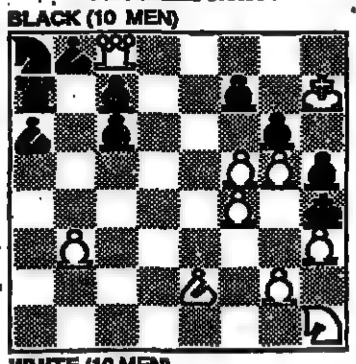
When queen and rooks are tripled on a file for attack, the optimum square for the queen is normally behind the rooks.

26...R(1)-B1; 27 B-R4! (threat P-N5) P-QN4; 28 BxP, K-K1; 29 B-R4, K-Q1; 30 P-R4, Resigns.

A classic zugzwang. Once Black's pawn moves run out, he has to move a piece allowing P-N5 or BxN, winning the pinned knight.

PROBLEM No.697

BLACK (10 MEN)



WHITE (10 MEN)

White mates in three moves at latest, against any defence (by V. Somerpuu, 1st prize, Finland 1943). Easy at first glance, since White can aim for mate by either a queen or a pawn check; but Black's congested pieces have hidden defensive qualities.

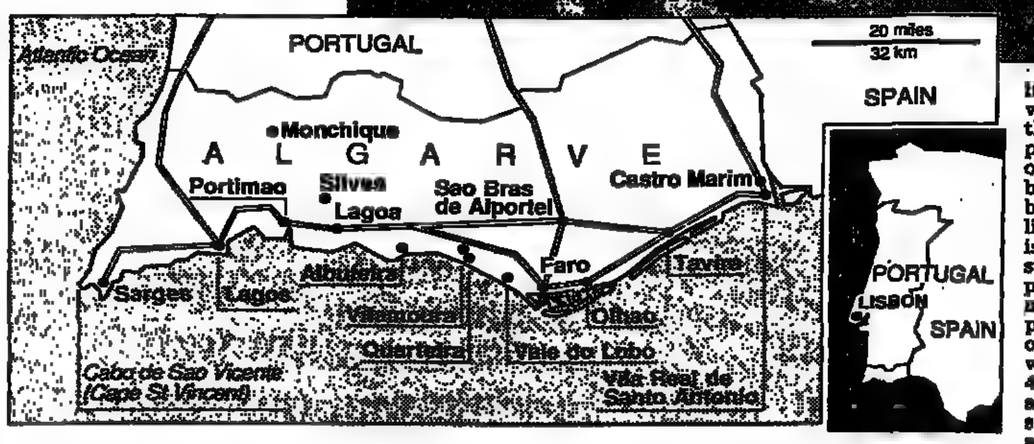
Leonard Barden

Solution on page XXIII

Michael Thompson-Noel takes a tour of the Algarve

A long way from ponds and gnomes

Tavira, an Algarve bright spot (right). The Spanish border is a short distance away



ON THE other hand, there is a reasonably good chance that the Algarve will emerge as a swinging holiday spot when they have finished building it, which by my calculation will be at some dim and dusty date not unadjacent to the 22nd century. The late 22nd century.

To motor back and forth across the Algarve at present, from Vila Real de Santo Antonio in the east to Sagres and Cape St Vincent on Portugal's extreme south-westerly tip, is to criss-cross one of the most impressive building sites in tourism history.

There is tremendous activity, so that what is emerging - towering hotels, shiny apartment blocks, villas by the thousand, glossy new marinas and yet more golf courses - will eventually complement the Algarve's physical charms of balmy climate and excellent beaches.

I am sure it will be worth the money. Yet a recent week (in rain-lashed October) spent exploring the Algarve reminded me of the character in Julian Barnes's novel, Staring at the Sun, who found that travel made him tired and fretful and even flattered him. "People said that travel broadened the mind. Gregory didn't believe this. What it did was give the illusion of broadening the mind. For Grego-

'For mindlessness you will probably feel well done by'

ry, what broadened the mind was staying at home."

I do not like staying at home. Nor am I keen on visiting the office, where the arrival of computer journalism makes people cry and sigh and shout. For distraction, then, I travel, though in this respect the Algarve (or so I found) can be a shocking disappointment, and is likely to remain so until well after they have grassed and concreted the last hectare.

This is not to say that Portuguese tourism has not pulled its weight, for net tourist receipts last year mopped up three-quarters of Portugal's trade deficit. Moreover, the British (and the Irish) are jetting to the Algarve in rising numbers, giving rise to a fear that British tour operators are propelling the Algarve regrettably downmarket. After the Spanish the British are the second most important group, with arrivals from Britain (for Portugal as a whole) rising from 484,000 in 1980 to 1.1m last year. In 1986 three-quarters of all British bednights in Portugal were spent on the Algarve, far outstripping the figures for Lisbon and Madeira.

Yet do they get their money's worth, these indomitable packaged tourists? The answer has to be ambivalent. If you are seeking sheer mindlessness - say 14 days' golf - you will probably feel well done by. If not, boredom may dog you.

Your best bet is to rent a villa or apartment, but take some music and a vanload of books - War and Peace, say, in competing translations, or the Booker finalists since the year dot. The beaches are indeed excellent - 150 kilometres' worth, backed by red cliffs: a splendid natural playground for those encumbered by children.

The food is cheap and good. And the climate is justly famous - warm from April to November with an alleged annual average of 3,000 hours' sunshine, which is more than the Costa Brava, Majorca or the French Riviera. I have no reason to distrust this sunny figure; it's just that my own week on the Algarve coincided with biblical storms and floods. (My sojourn also coincided with the initial helter-skelter of collapsing world stock markets. As the Algarve imports foreign newspapers 24 hours late, for which there is no excuse, I endured the bizarre experience of tracking the collapse of civilisation while entombed in a time warp).

So far as I could judge, much of the construction work in progress is of a cheerfully high standard. There are some luxurious country clubs and private villages, of which the best include Vale do Lobo, Four Seasons Country Club, Giebels, Quinta Park Country Club, Sao Rafael, Rocha Brava and Bovis Lakeside Village, which is fantastic and enchanted — all of them, except Rocha Brava, within 20 minutes or so of Faro, the Algarve's tiny capital. Stay at one of these and you will be in glamorous surroundings.

In turn, Vilamoura, about 30 minutes from Faro airport, is rising swiftly from the rubble. It is described as one of Europe's largest privately developed tourist urbanisations, and I dare say they are right. I watched it growing before my eyes, complete with golf courses, tennis courts, marina, hotels, apartments, shops, a disco and the tackiest casino. (Yes, yes, I lost; but I have seldom been parted from good money in shoddier surroundings).

The trouble with Vilamoura typifies the Algarve as a whole: not only are they still shouldering it into place but it is almost wholly sterile. There is very little there, apart from concrete — no culture, no joy and no sense of the past. (Much of the Algarve's past was wiped out by an earthquake in 1755, though there are bits and pieces left).

Like some dreadful tropical growth, Vilamoura has twined itself around, and almost smothered, the fishing village of Quarteira, which has a market, good restaurants and a long lazy beach. But try finding your way there in the dark. Time out of mind, in daylight and in darkness, I bumped my little hire car along mysterious dirt tracks, only to finish crazily amid the monstrous foundations of another gaunt hotel block.

Faro is small and pokey, with a few modest sights (its airport is a disgrace: just a few sheds, really). But whatever you do avoid Albufeira, which is cramped and squalid and full of the worst sort of tourists. West of Albufeira things perk up a bit, so that Lagos is jolly and Portimao even better: extensive quays and a busy river scene with dozens of brightly bobbing boats unloading

'There is neither beach, nor boutique, nor camp site'

sardines and tunny. If the Algarve has any mood or character you will find it in Portimao. Across the bridge, in Parchal, is Lanterna Restaurant, which claims to serve the Algarve's best fish soup. Dinner only; you have to book.

West of Lagos the scene gets hillier and bleaker, more windswept and remote. I suppose you could have some sort of holiday in Sagres or at Cape St Vincent, which is the Land's End of western Europe. A shade more promising is the eastern part of the Algarve, particularly around Tavira (32 kms from Faro airport), which is genuinely picturesque, even though its harbour is silted and is blocked from the sea by mud flats and marshes. They are attractive, these marshes, full of birds and fisherfolk bathed by creamy light.

Eventually you get to Vila Real de Santo Antonio, which has a fine town square and is where the Algarve peters out. It is on the bank of the Guadiana river which marks Portugal's frontier with Spain. There is a regular ferry service across to Ayamonte on the Spanish side. If I had wished to chicken out I could have driven my little car onto the first obliging ferry and whisked off to Madrid — or Cairo, or India, or lower New South Wales.

But I am imbued by a sense of duty, so I turned the car northwards and was at once bowled over by the fortifications that mark the approach to Castro Marim, the one-time base of the Order of Christ, a religious military order that sprang to life when the Knights Templar were disbanded early in the 14th century.

As Algarve Magazine explains, most of Castro Marim's 4,000 population live in terraced cottages in the shadows of the town's castles and fort. "They keep their simple dwellings spick and span, and employ ornamental flourishes to proclaim individuality. It is currently fashionable to outline windows and doorways with broad bands of paint, not so much in drab or traditional colours as in paintbox shockers and pastel hues. But don't get the idea that Castro Marim is entering a swinging age. There is neither beach nor boutique. There is no hotel or camp site, no real estate agencies or night spots. Castro Marim leaves that sort of thing to nearby Monte Gordo and Vila Real de Santo Antonio."

From Castro Marim I drove further north and then west in a grand arc that took me through imperious hill country and tiny villages. Further north, beyond the Algarve, there are stoats, pine martens, even wolves, while on Portugal's northern Spanish border there may be brown bears. Down south the mammal life is less exotic, though in tourist shops there are plenty of stuffed mongoose, wild boar and polecats. If you are lucky you may see badgers, foxes, and the pygmy white-toothed shrew, one of the world's smallest mammals which grows to a maximum of 4.5 cms. Its cousins, the greater and the lesser white-toothed shrews, also live on the Algarve and are best looked for among debris near the beach.

Monchique, inland and uphill from Portimao, is worth a look-in, though I was less taken by Silves. This was once the Algarve's Moorish capital but has been declining ever since. Nevertheless, it was while pausing in Silves, trapped by a storm, that I read in Algarve News of "one of the Algarve's most charismatic foreign residents, former tycoon Colin Stone," who was reported to be staging "a last ditch fight to save his freedom as prosecutors in Britain moved for his extradition."

The story continued: "Mr Stone has been under investigation in Britain since before he moved to the Algarve nearly four years ago. He is adamant that he is innocent of any crime, and continues to maintain that he is (the) victim of a conspiracy, probably freemason-inspired.

"In his business heyday as a youthful millionaire, Mr Stone moved among the rich and famous in Britain . . . (He) started making and selling plastic ponds and garden gnomes at the age of 15. By 18 he was a self-made millionaire and known as the gnome king. Presiding over nearly 50 companies and hundreds of employees, he made and lost several fortunes as a succession of garden centre ventures collapsed."

What a fate to wash up on the Algarve, far from ponds and gnomes.

● I stayed at Prado One, Vilamoura, c/o Travel Club of Upminster, which operates a full Algarve winter programme, covering most price ranges. For example, a stay at Vale do Lobo in January or February costs from £174 to £258 per person (two weeks). The Travel Club is at Station Road, Upminster, Essex, RM14 2TT, tel: 04022-25000. In London the Portuguese National Tourist Office is at 1/5 New Bond Street, W1Y 0NP, tel: 493-3873.

Kingdom of secrets

Lucia van der Post and 14 FT readers explore Bhutan

WAY BACK in April this year I issued something of a challenge. Come explore with me, I said. Come to a remote mountain kingdom, filled with fertile hills and valleys, snow-capped peaks, inhabited by a people whose way of life has scarcely changed in 1,000 years. Come to Bhutan and see a country that is so new to some of our Western ways that it had no postal service or roads until 1964.

Come, I said, and see an ancient Buddhist people, most of whom still live a simple agrarian life unchanged since the Middle Ages. Come and see the foothills of the Himalayas, join a seven-day trek from Paro to Pangrimza, wandering through valleys and hills, forests and dales. Pitch your tent under the shadow of the sacred mountain of Chomolhari, sleep in the crisp cold rarified air and see what this strange and little-explored kingdom is really like.

So there we were, myself and 14 readers who answered the challenge. There we were clutching Immodium tablets, malaria pills, blister packs, our baggage filled with down sleeping-bags and thermal underwear, with walking boots and windproofs and all the essentials such a journey requires. All of us are high on hope and excitement.

It is not until Delhi that the first of the bad news begins to filter through. At first it doesn't seem too serious. In Nepal the winter has come unaccustomedly early. Trekkers are being rescued from head-high snowdrifts. But Nepal, after all, is one whole country (Sikkim) away.

But then Doug Scott, the eminent mountaineer, who has been attempting to conquer the North-East ridge of Everest and who is to be our guide, fails to appear. We learn later that the biggest storm in local memory kept him snowbound until way past the date of our rendezvous in Delhi.

It is in Bhutan itself that the body-blow is delivered. Our trek to the foothills of the sacred mountain of Chomolhari is no longer safe - trekkers in the area have had to be helicoptered out, ravaged with sun-burn and frost-bite, exhausted from trying to walk through passes adrift in snow.

For some this is a disappointment from which they never recover. All their dreams had been woven round the notion of camping within range of the savage splendour of the snow-ringed peaks of the Great Himalayas. They have been preparing for months and had hoped to pit their fitness against the demands of long days trekking in high altitudes.

A few are secretly relieved. They had begun to doubt their capacity to walk in high, thin air and as the reality of camping for long nights in sub-zero temperatures had dawned they were not quite sure how much they would care for it.

So we embark on a lesser trek at lower elevations where the snow has not yet come. We start on a six-day walk that takes us from Gantey, near Wangdi Phodrang to Gompa and back again. Before that, though, we begin to absorb a little of what the country is about. We take a long climb to the most sacred place in

Bhutan - Takstang Monastery (Tiger's Nest), we visit some of the highly decorated and infinitely complex fortress monasteries (Dzongs) in which the country abounds.

We learn that from next year almost all these hallowed sites will be closed to the Western world - so we are among the last outsiders privileged to glimpse these extraordinary buildings, half religious, half administrative, that are crucial to their cultural life. I will remember them always, for their visual glory and for the intimate glimpse they allow us of a strange and exotic culture.

We spend a day at a festival at Wangdi Phodrang. Here in the heart of a 17th century Dzong we watch people from miles around who have come to take part in an ancient rite, centuries old, full of meaning and so all-engrossing to the participants that it goes on for days. In the centre of the Dzong, masked, brilliantly clad dancers twist and turn to the sound of long trumpets and the rhythm of drums and cymbals, pipes and gongs. It is a beautiful, mysterious spectacle, redolent of symbols we cannot really understand, but extraordinarily moving all the same.

For our six-day trek we are accompanied by Yeshey, our guide, his cook and assistants. Comfort is not the name of the game. Nights are damp, cold and very long and are mostly spent buttoned into sleeping-bags and tents. But the days I find beautiful. While ponies carry our tents, baggage and cooking gear we walk up hills, wander through forests, scramble down dales. One night we camp in what I think must be one of the most beautiful - if one of the coldest - camping sites in the world, an ornately painted monastery overlooking a rich valley and winding river, our site marked by a row of the prayer flags that are such a feature of Bhutan.

Every day brings new things to see. We meet Bhutanese villagers on their migration from their summer lands down to their winter homes. We see them travelling with their herds and belongings carefully packed into great traditional baskets. Yeshey makes sure we are invited into villagers' homes where we drink Tibetan butter tea and are offered a glass of chang. He asks them to dance their traditional dances and sing curious native, wailing songs (he assures us they are deeply romantic and we have to take him at his word). Their simple generosity and the open curiosity with which they view us has a touching innocence. Nowhere have I met a people so seemingly untouched by outside influence as these.

Several of us become ill. One man, shivering with fever, has to be carried by pony for a day, another insists on being left behind with our driver in a village for five days while he recovers. Colds and mild tummy bugs are almost universal and for some the stress begins to show.

Finally we reach the capital of Thimpu, where we fall, with almost universal relief, into the Mothithang, the smartest hotel in town, where we almost kiss the taps as we wash off the chill and grime of six days under canvas.

Some travellers have not got what they came for. Some have found it dirty, primitive, unhygienic - but how could it be otherwise? It is a tiny mountain kingdom, surrounded like a fortress by the formidable butresses of the Himalayas. As Katie Hickman says in her book Dreams of the Peaceful Dragon, "The world has few secrets left, but Bhutan is one of them."

Secret kingdoms are not like advanced Western countries. They do not offer the certainties that most tourists are used to - smart wine lists, sure heating, haute cuisine. Through the centuries it has remained one of the world's last untouched countries - little known, little explored.

It is a country that requires a spirit of adventure. It is often far from comfortable. Real adventure means discomfort, it means cold, it means trudging on when you would rather stop and have a long bath. It means primitive food cooked over makeshift fires. It means a degree of dirt and hardship that is not everybody's idea of a holiday.

If genuine contact with a strange, hypnotic, alien culture is what you are after, Bhutan is the place for you. If you have a more conventional notion of a holiday you would be wise to look elsewhere.

Our tour was put together by Abercrombie and Kent, Sloane Square House, Holbein Place, London SW3.

Smiling faces: children in Bhutan

Rigmarole turns into fun

LIKE A bad market, November gardening sorts out the enthusiasts from the wishful thinkers. "Do you really enjoy going through this rigmarole?" my daughter asked me last Saturday as I was crawling through the ordure, slowly clearing the dead growth.

The question has been much in the damp November air. Only the night before, I was reading a newish gardening columnist confessing that gardening was often boring and that there was a British conspiracy of silence to hide this shameful fact.

I disagree. It is exhausting and endless, certainly, but it teaches you to continue aiming for better things without self-reproach, although you know you will never fully realise your wishes. So long as you can start and stop when you want, boredom has never struck me as a part of it, except for tasks which masquerade as gardening but are really outdoor maintenance.

Clearing the border is gardening, but snow-shovelling is maintenance. If you dislike cutting down herbaceous plants in winter, try removing snow from garden paths in the winter under a snowy climate. Having moved it for a season in south Germany, I have always been grateful for most British winters and appreciative that we only have to cope with clearing and tidying plants.

Plants are not boring, because there is change and scope for rearrangement wherever anything is growing. In November, you notice it because there is less competition and you are more surprised by it because you expect so little.

Meanwhile, clearing and cutting have their own internal satisfaction which outsiders cannot comprehend, because the weather seems cold and dripping and the job looks bleak. In fact, you are thoughtfully resuming control, and if you can clear a border in a weekend, you are making good progress.

Gardening

You will see that I prefer to press on with this task while November is still hanging round us. One school of gardeners now claim that dying herbaceous borders have artistic charm and that nothing should be cut until you feel like the job, after Christmas. Personally, I feel even less like a job when Christmas has just finished and the answer, surely, is to cut a bed earlier, but to be selective.

Blackened peonies, lupins and daisies are miserable on any sane view of their appearance. Perhaps you want to admire your dying brown hydrangeas, tall grasses, bamboos and fennel, but they look much better if the rest of the dead jungle has been cut out early.

I also think that early cutting is healthier. It gives less cover to slugs and snails; it will not expose hardy plants to extra frost, which they cannot survive anyway; it stops plants with fleshy leaves becoming sodden in a wet spell and rotting at ground level. When I tried leaving the border and pretending that it looked pleasingly decadent, I lost some excellent agapanthus because their leaves became soaked and the crowns turned to pulp. Winter wet is as much an enemy as frost, but we hear less about it.

So, one answer to my daughter was that the November rigmarole actually does some good. It is not mindless: you must know better than to cut anything which is evergreen or half-hardy and you have to think about plants which drop seeds very late, such as alliums, which seed freely if left till after Christmas. The job goes quickly if you use edging-shears to remove the dead growth and do not fiddle about with secaturs, unless you are cutting something with thick stems or particularly sulky habits.

While you think and cut, outsiders assume you are punishing yourself for no reason; actually you are also enjoying surprises. In November, you can see how widely your aquilegias and blue Jacob's Ladder have seeded themselves. You can move the seedlings around, like young wallflowers, to place them for the next year. During a November clearing, I first learned that certain lilies would seed themselves quite easily after flowering. I also found some new, cheap possibilities, especially the fluffy leaves of Salvia Argentea, which normally dies after its ugly flowering but which leaves dozens of small seedlings around it which can be moved in early winter or spring. I have grown this hairy Salvia ever since as an annual, so its flat area of grey-white leaves make a regular contrast to familiar summer plantings.

On the borders of winter, there are also some misguided flowers - a few foolish polyanthus, late flowers on the Japanese anemones, or the charming yellow Potentilla Recta, which responds to an early cutting back in late July.

To justify the rigmarole, I set about finding a curious bunch: late penstemons, the purple-pink, often-forgotten Physostegia and, above all, the dark, rusty heads of the Sedums. The pale pink Sedums are best for butter-

flies, but my taste is for the darkest forms, which age to a deep brown-red. They make a neat underplanting for old-fashioned roses because their long season of green buds is just as appealing as their pink and red in flower.

At first glance, the Sedums had just about ended, but we trimmed them, matched them with deep purple leaves from Rhus Cotinus and ended with a vase which had the right sombre tone for this season. By dark, the rigmarole had been fun, with results to show for it: I need hardly say that neither of my children is any more of a gardener than before we began.

Arthur Hellyer's gardening column is on Page X

Robin Lane Fox

Stuart Marshall on another Japanese success in Europe

Treading a successful road

CONVENTIONAL WISDOM has it that European high performance tyres are the best in the world.

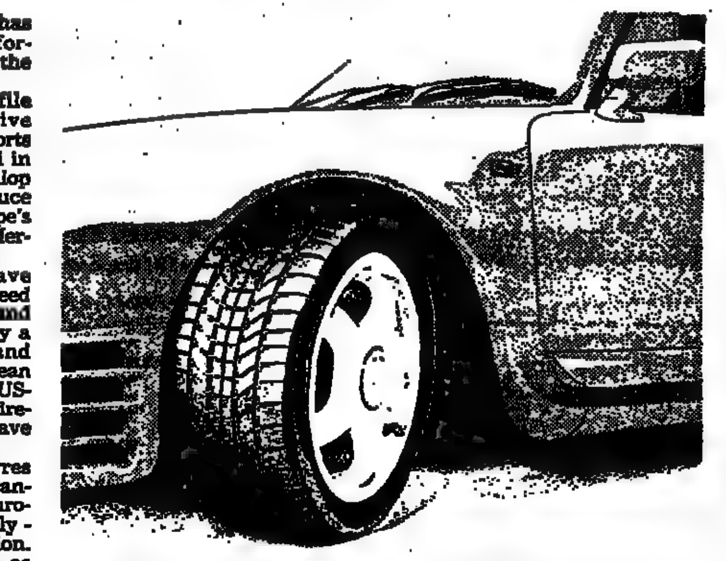
The squat, ultra-low profile radials that allow executive saloons to be driven like sports cars were pioneered by Pirelli in the late 1970s. Michelin, Dunlop and Continental also produce tyres for the cream of Europe's cars such as Porsche, BMW, Mercedes and Jaguar.

The Americans too have learned a lot about high speed handling, steering precision and wet grip. Often it has been by a feedback of information and experience from their European associates. As a result such US-based firms as Goodyear, Firestone and B F Goodrich have tyres to rival Europe's best.

And Japan? Surely its tyres grip like banana skins and cannot be taken seriously by Europeans? That used to be a widely - and not unfairly held opinion. But it is now as out of date as the view that Japanese cars are shrunken imitations of Detroit's products with soggy steering and poor suspension.

Bridgestone is the third largest tyre maker in the world after Goodyear and Michelin and is pushing hard for second place. Despite its name it is Japanese. In Britain few motorists have heard of it. Not so Europe's tyre makers who are looking over their shoulders to see what Bridgestone is up to, especially in the high performance end of the market that was once all their own.

Europe's car makers are well aware of Bridgestone's expertise. Porsche, perhaps the most demanding of all car makers when it comes to choosing factory fit tyres, approves Bridgestone ultra low profile tyres on all



The new Bridgestone 17-inch RE71 tyre

its cars. The only tyre considered good enough for the ultimate Porsche, the all-wheel driven, 185 mph (297 kmh) model 959, has until now been a Bridgestone though Dunlop (controlled by Japan's Sumitomo) has just come up with one, too.

The Bridgestone RE71 tyre used on the Porsche 959 is a development of similar ones being factory fitted to other Porsche models and to British TVR sports cars. They have also been approved by Audi for its fastest quattros.

The ultra squat Porsche 959 tyre has to combine the virtues of grand prix and highway tyres. It has to withstand near- racing speeds but last for several thousand miles on a car twice the weight of a Formula 1 machine.

Race tyres are changed according to the weather; the RE71 has to be equally safe, rain or shine. It must give acceptable ride comfort and, if it punctures, stay on the wheel while the car is driven slowly to a service statin.

I have not yet driven a Porsche 959 - few people have - but I tried development prototypes of its tyres on a rear wheel only driven 911 Turbo at Bridgestone's proving ground. They made this hairy beast of a car much more controllable on a wet handling circuit than the best European tyres.

That was two years ago, when Bridgestone had just unveiled another tyre concept for family type cars. It was called RCOT, for rolling contour optimisation theory, which is a long name for an idea so simple one wondered why it had not been discovered before. An RCOT is moulded in the shape it will take up under the weight of the car so that it does not distort as much as other tyres as it rolls on the road.

The result is a small but significant fuel saving plus improvements in handling, roadholding and steering precision. RCOT tyres cost no more than conventionally moulded ones and the difference in shape hard to detect. They have been a runaway success in Japan and have recently become available in Britain.

In Tokyo last month Bridgestone showed me two more new ideas. The RCOT theory has been extended to truck tyres, mainly to lengthen their lives. Truck tyres are customarily retreaded when they have worn smooth, often several times. Retreadability means more to a lorry operator than anything else because it lowers tyre costs.

Bridgestone's latest TCOT (for tension control optimisation theory) truck tyres, just introduced in Japan, are reckoned to be 40 per cent more retreadable than normal ones. They could last up to half a million miles before the casing has to be scrapped.

For cars, the accent is on more satisfying motoring, not longer life. Prototype Bridgestone asymmetric tyres unveiled at Tokyo motor show have completely different patterns on either side of a deep, central drainage channel. They are uni-directional (like many high performance tyres today) and come in two kinds, for the left and right hand sides of the car. Better grip in heavy rain and quieter running are among the benefits claimed.

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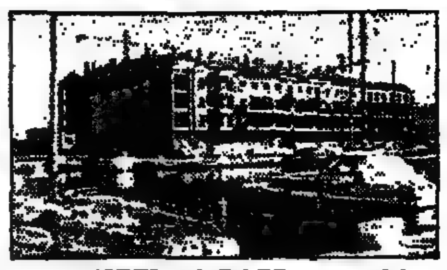

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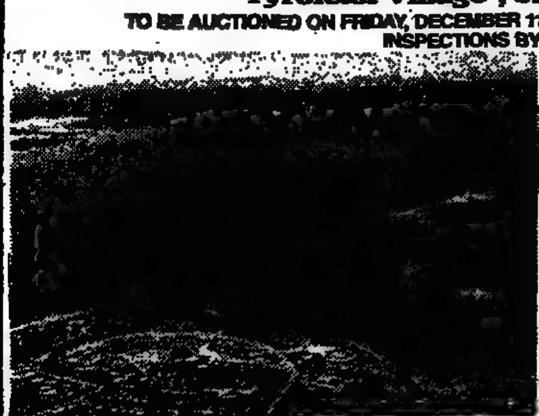

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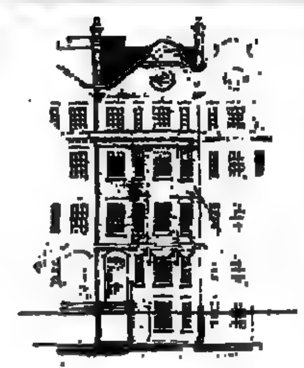

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PROPERTY

John Brennan considers a county with good communications

Herts - trumps for commuters

IT CAN be quicker to travel into Central London from St Albans, Stevenage, or Hemel Hempstead than from, say, Wimbledon, at least during rush hour. Anyone heading for Euston, King's Cross, or Liverpool Street Station would now normally find it faster to come in from one of the Hertfordshire commuter centres than to try their patience across London from traffic-snarled Fulham.

An 18-minute high-speed service from St Albans to St Pancras clearly beats battling through the morning rush hour down from Hampstead or Highgate. And a 25-minute direct rail run into London from Stevenage or Hemel Hempstead looks an easier bet than relying on public transport from Peckham or Dulwich.

Good communications have made London's northern border county prime commuter territory since the 1930's. But since the completion of the M25 orbital motorway and the M11, after the road improvements to the A1(M) and A10 as well as the electrification of the rail services into London, Hertfordshire estate agents have been weighing rather than counting their lists of prospective buyers.

Connells at Welywn Garden City (0707) 322903 is looking for offers of £700,000 for Lemsford House, a six bedroom 19th century former rectory with substantial out-buildings in 2.3 acres of garden on the edge of Lemsford Village. The village is just half a mile from the A1(M), seven miles from the M25 and a 25 minutes run into King's Cross on the train.

John James, of the Stevenage-based agency John H James & Company, calculates that 48 per cent of his sales in the past year have been to commuters. As rising Hertfordshire prices have persuaded people to travel even further out, James reports that on the Cambridge side "the commuter belt now stretches out as far as Huntingdon."

The main route communications through Hertfordshire are so good, that, as Tim Dansie of Strutt & Parker's St Albans office says, "It's a county that most people hurry by without stopping and taking a good long look." But in recent years those wishing to buy have had to be quick, or rich, or both. Buying pressure from newcomers comes on top of strong local demand, and price rises in the southern half of the county and in the commuter rail and road corridors have been quite as steep as those in central London.

John James doubts if a first time buyer would be able to find much under £50,000 south of Hatfield. You would, for example, have to pay £49,000 for a one-bedroom new home in Stevenage, and the Halifax Building Society's regional price surveys show that average residential selling prices in St Albans stand at six times the national average salary.

The first rung of the housing ladder in Hertfordshire is now so high that an increasing number of people who work locally have become commuters themselves, travelling in from less expensive parts of Bedfordshire, Cambridgeshire, and north Essex. Others, as James says, have simply had to borrow their way into the market. "I came across one couple who had been able to raise 90 per cent on the basis of four times their joint income. That seemed remarkable to me, and I think that the societies will become a little more cautious now."

Move up market, and you have to be spending £200,000 to £250,000 to find any significant choice of family houses. In central Harpenden, for example, John H James (05827-66961) has a four-bedroom detatched house on Station Road, five minutes walk to the mainline station with its a direct services to Moorgate, for £231,500. And a few minutes walk from Welwyn North Station in Adele Avenue, Digswell, £255,000 would buy you a nine-year-old four-bedroom house in a third of an acre, complete with garage for three cars and "a driveway with space for an extra five".

It is hard to imagine quite why anyone might want to keep eight cars parked outside their Hertfordshire home. But for buyers in London paying twice the price for smaller homes ringed by double-yellow lines, such automotive elbow-room has a certain appeal.

William Wells of Prudential Property Services' Bishops Stortford office thinks that "prices in the £200,000-plus market may now have peaked after an extraordinary rise right through the year. I'd say that things have quietened down considerably since the end of August. You won't find 10 people chasing each property now, which was the case at times earlier in the year."

However, if you look beyond standard family homes to period properties, as Wells says, it's an entirely different market. "The buyers are still about and you can sell a vicarage or a rectory at almost any time of the year at almost any price."

Without enough classic Georgian rectories to go around, there's strongly competitive interest in period properties throughout the county - and in whatever condition. Prudential's Prestige and Country Homes division recently auctioned The Grange - a six-bedroom, mid-19th century country house in three acres of grounds at Hatfield Heath near Bishops Stortford - and achieved £270,000 for a property that has been unoccupied for the past 15 years, and which will have to be completely renovated.

Guy Goodfellow of Strutt & Parker (0702-40285) hasn't found any let-up in demand for country houses in the county even since the stockmarket's slide. "We've only had one person pull out of a deal, and in that case it was a developer rather than someone who was buying to live in the place. It has been surprising really, because most of the people buying a half a million pound house are wrapped up with the Stock Market in some way, and yet they don't seem to have quivered a bit. There's still an awful lot of money about, and people are still prepared to bid up to get the place they want."

Strutt & Parker has observed two curiosities. As Tim Dansie says, "Nearly all the buyers purchasing in excess of £400,000 are paying cash with no problems about the disposal of their own property, and the more expensive the house, the younger the buyer."

People who have sold their own homes first, who are willing to raise immediate bridging finance, or who can raise cash from other securities, have been scooping up most of the county's better houses.

Anyone caught in a selling chain hasn't had much of a chance to compete with the cash buyers over the past year when, as Dansie says, there appears to have been endless demand for quality period houses with land of two acres and above.

A fair few of the commuters on the firm's list of buyers are people selling homes in West London and Surrey. It is an easier run into Central London from the north, and buyers are able to exchange pure suburbia for Hertfordshire's more overtly rural scenery. "My advice to buyers looking for a flat in London for weekday work and a country house in Devon or Wales is to think about sinking all their capital into a Hertfordshire family home," says Dansie.

People have been testing the rail services north of the capital to see if it is realistic to move out of town, and it seems that an increasing number have been station-hopping up the line into Bedfordshire.

As Guy Goodfellow says, "Bedfordshire always used to be known as a Brussels sprout county with not terribly interesting countryside. Now there is a lot of action there, with people willing to pay £100,000 over an asking price to make shut-out bids. That's unheard of, and it certainly suggests that it is becoming the next fashionable area."

• PROPERTY •

John Brennan says residential owners should not despair

Still as safe as houses

THERE MAY be no direct and immediate correlation between the Stock Market's slide and residential property prices. But there has been an eerie silence in recent weeks in what has been, for the past three to four years, an increasingly frenetic residential developers' version of the game of musical chairs.

Trading sites to other developers has been the fastest way of making a profit in the London residential market for some time. It has been far easier to make money trading land and buildings for redevelopment than undertaking the time and cash-consuming business of carrying out building work. And as long as the bull market in Central London residential property values roared ahead , the Land Registry frequently has not been able keep up with the pace of the site trading at auction, in open-market tenders and in private deals.

Now, any deal that can be put on ice has been. And the current holders of the sites bought to trade rather than develop have been left wondering where all the buyers have gone. Although that is potentially fatally bad news for a number of financially overexposed residential developers, this immediate response to the equity market's problems is yet another reason why the slide in share values has precious little relevance to the current, or prospective value of the majority of owner-occupied homes.

As David Mitchell of Dreweatt Neats says,"The relevance of the stock market diminishes with the price band. Below £500,000 it starts to become irrelevant and below £300,000 it is irrelevant."

It is not that owners of properties worth half a million pound or less don't read about share prices but, as Michael Duncan of W A Ellis puts it, "A very large part of the residential property market is supported not by new money taken out of a financial market, but by people trading homes.

"Accordingly, it is logical to infer that values in the residential property market should not decline by anything like the same percentage as the decline in equities. It is also true to say that there is a strong resistance by the typical householder to sell his house for less than his neighbour achieved. Prospective vendors not urgently wishing to sell will grit their teeth and wait for the market toget back on its feet."

The ratchet effect of home owners trading freely when prices are rising and taking properties off the market in times of uncertainty is a well-established cause for a delay in the response of house and flat prices to any bad economic news. This time there are the additional factors of a prospective increase in effective demand for housing. Interest rates are down and the building societies - which will be regaining their retail deposit inflows now that privatisation issues no longer have such a fatal attraction for small depositors - are actively selling money to regain their share of the home loan market. The Stock Market slide will take a long time to feed into the domestic economy and dampen down demand for homes.

And, as the Woolwich Building Society's forecasters recently noted, the underlying pressure for home ownership remains one of the firmly rising trends in the UK economy for the forseeable future. The Woolwich expects today's 63 per cent private ownership to have peaked at around 83 per cent by the year 2025, representing a third as many homeowners than there are today. So, if you take the long view, there is no prospect of any switch out of the housing market.

Michael Stoop, managing director of Winkworth, doesn't expect to see the shock waves of the Stock Market fall affecting the London housing market until next spring, and even then he doubts if there will be much impact "unless the lenders tighten the supply of money to the mortgage market, which seems unlikely."

Savills, widely misquoted for its cautionary comments on likely impact of an increasingly selective market on house prices, has long been in line with the broad market consensus amongst agents and building societies that the central London market passed the peak of its price rises in the spring or early summer of this year.

Savills' recent warnings about 10 per cent falls in asking prices relate specifically to properties that are currently over-priced, and where sellers have been holding out for more in expectation of the 20-30 per cent annual price rises that were commopnplace in some central London areas last year.

Away from owner-occupied homes into the investment property market and there is no such consensus about the outlook for prices. On the one hand, the discretionary purchase of flats for rent and options to buy uncompleted flats in developments is heavily dependent upon, the availability of surplus investment cash and on confidence. Both are now in shorter supply than they were at the beginning of October. On the other hand, those uncompleted development site and buildings for refurbishment deals could act to slow down the supply of developments specifically aimed at this market. But any slow-down in future supply wouldn't affect this market for a couple of years.

It is arguable that investors who got out of equities in time will have had to find suitable alternative homes for their cash, and that investment properties have a suitable solid look to them to have appealed as an alternative. But against that there are investors who have been caught in the slide and are now either too poor to be active players in any market, or who are locked into equities and, if they ever get the chance to get out with less of a loss, are likely to join the gold-bar-under-the-bed brigade of ex-speculators.

The trouble with the residential investment market is that fundamentals don't carry anything like the same weight as sentiment, and if investors start to lose confidence, no amount of reassurance will stop them queueing up to sell.

Chain saws ease the post-storm load

Arthur Hellyer makes lighter work of clearing up the hurricane damage

FOR MANY years I have used chain saws of different sizes and types but until this week I had never used an electric chain saw. The main reason was that I thought the mains cable that supplies the power would be too limiting a factor in a big garden containing a lot of trees, both fruit and ornamental, but this week I have had to clear up the mess of half a dozen century- old oaks snapped off halfway up and deposited in a terrible tangle in a threequarter-acre garden.

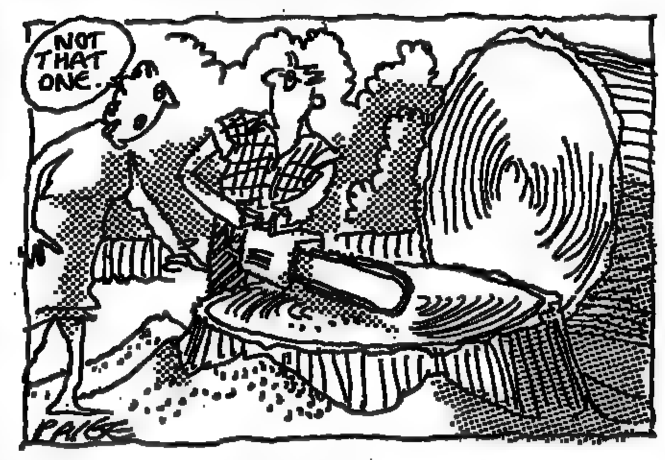
This has two convenient electric power points, one in a carport at one end and the other in a little pump house over a well at the other end so a cable could reach every part of the garden. Even so I hesitated a little, half fearing that even a good electric saw would not be up to such heavy work but what decided me was that there are many houses close by and I thought a noisy petrol engined saw could be an intolerable nuisance to the neighbours.

The first problem was to find a saw since most suppliers had cleared their stocks and their first restockings after the gret storm. However, I was fortunate to find a 14-inch Stihl, a good American make. The experience of using it has been fascinating. It has removed some of my doubts about electric chain saws, confirmed others and revealed, rather to my surprise, that the use of such a saw alters one's approach to the work.

My complaint about all petrol engined saws is that they have to be started by pulling a cord. The large saws take quite a lot of effort and even with the small ones I find I need to have both feet firmly on the ground. I envy the way professional tree surgeons stop and start their saws while swinging about on harnesses in the trees. Emphatically, this is not for me.

Because of this I try to do as much work as possible at each burst of cutting, sometimes rather more than is really convenient or wise. This temptation disappears completely with the electric saw, which starts at the pressure of a button and a trigger, a very effective safety device which makes it most unlikely that the motor will be started inadvertently. It takes no effort at all so there is nothing to deter one from laying the saw down, clearing away what one has cut and then starting work again.

Quite frequently I found myself cutting one branch at a time or even making several separate cuts at a single branch to bring it away in convenient pieces and yet the work proceeded rapidly and with considerably less effort than with a petrol engined saw of the same size. Fatigue was also reduced because the saw was distinctly lighter than a comparable petrol engined model and made no disagreeable noise. All one heard was the saw cutting the wood and there was certainly no need to wear ear muffs.



There is no time lost refilling a petrol tank but I did find that the lack of this enforced break tended to make me forget to fill up the oil reservoir which keeps the chain lubricated. For efficient cutting and long life of the chain it is essential that this reservoir must not be allowed to empty.

What I had not realised was how quickly the mains cable would get tangled up with the prunings. The only way to prevent this was to pull the rubbish aside frequently and this was another reason why I found myself cutting in smaller bursts than I am accustomed to.

The only point on which I would really criticise this particular saw is that the short length of cable which the makers supply with it is black. The very long extension cable I used was orange and there was no difficulty in seeing this, however mixed up it became with the trees. The yard or so of cable nearest the saw is most at risk of being cut and I often found it difficult to see the black cable among the branches. I do not know what is the general practice with electric saws but I think all manufacturers should fit a brightly coloured orange or yellow cable.

Before I bought an electric chain saw I had been using two Bushman's saws, the type with a narrow replaceable blade kept under tension within a bow shaped steel frame. It is the fastest cutting type of hand saw I know but I estimted that even so the electric saw saved at least 75 per cent on time and even more on energy. There are, in fact, two versions of the Bushman's saw available, one in which the handle really does form a bow equidistant from the blade at both ends and the other in which it is fully bowed only at one end and makes a long taper to the other.

For logging, the first type is the one to choose, but for a great deal of pruning the second is better as the tapered end can be slipped into awkward places where there is little room. Occasionally even this type cannot be inserted and one must use the type of pruning saw often called Grecian, with a curving tapered blade but I have yet to find one that cuts as fast and sweetly as a Bushman's saw.

Another essential tool for all heavy pruning and also for cutting up brash for burning is a good pair of lopping shears. Make sure that the handles are long and strong. Short handles make hard work and far too many loppers that I have used have bent or broken if put under really heavy stress.

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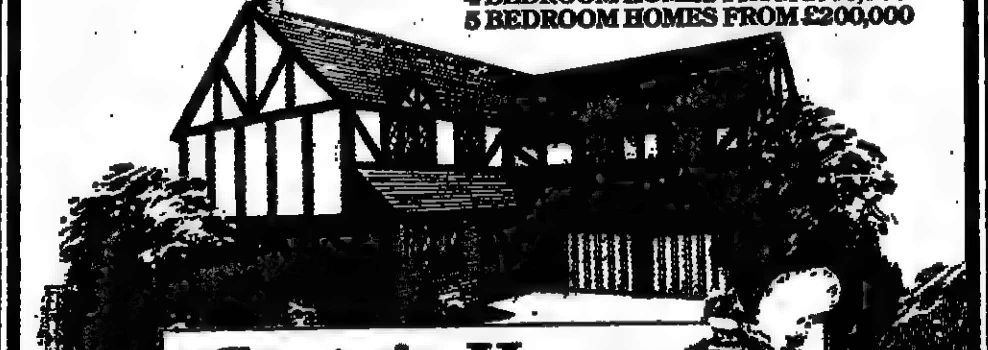

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FINANCIAL TIMES SURVEY

Inhabitants of Lombardy are among Europe's top wealth creators, akin to their Swiss neighbours. They combine an innate conservatism with a typically Italian creative urge and entrepreneurial flair. With Milan at the hub, the region is the driving force behind Italy's economic expansion, says Alan Friedman

Italy's best entrepreneur

THE REGION OF Lombardy is one of the most heavily industrialised and wealthy regions of Italy, and Milan, its capital, is generally considered to be the nation's economic capital.

Together with their neighbours in the regions of Piedmont, Liguria, the Veneto and Emilia Romagna, the Lombards rightly claim much of the credit for the industrial renaissance which Italy has enjoyed over the past few years.

A proud and in many ways Calvinistic people, the Lombards are among Europe's most assiduous wealth-creators. Leading Lombard businessmen combine the hard-working conservatism of their Swiss cousins just across the border with a typically Italian sense of initiative and entrepreneurial flair. And even if this is an overly simplified description of nearly nine million people, the economic contributions of Lombardy to the national economy are indisputable.

The Lombards have always been commercially minded and Milan's tradition as a central European trading post goes back many centuries.

It is thus no accident that Lombardy today accounts for an impressive 29.5 per cent of Italy's total export sales, which expressed in absolute terms last year came to L42,253bn. (US $34.7bn)

Milan is of course the home of the Italian bourse, and trading income here represents around 93 per cent of the nation's share transactions. Lately the stockbrokers and bankers of this Italian boom town have been feeling rather depressed, but this is in line with their counterparts in every other world financial centre.

As a financial centre Milan is the most active city in southern Europe. Some 35 of the 36 foreign banks operating in Italy are based in the Lombard capital, although two-thirds of these are this year expected to turn in losses because of the high cost of interbank funds and the difficulty they have had in competing with local Italian institutions.

Of Italy's 1,101 registered banks some 169 are based in Lombardy, 81 of these in Milan. Of 13,033 bank branches up and down the Italian peninsular, Lombardy hosts 2,374 locations, or 18 per cent of the national total. And when it comes to both bank deposits and lending to industry Lombardy is far and away the national leader.

According to the Bank of Italy total deposit funds in Lombardy amount to L121,536bn ($99.2bn) or nearly a fifth of the national total. On the loan front, Lombard companies account for 27 per cent of total outstanding advances in Italy, or L84,178bn ($68.7bn.)

The raw statistics only tell a part of the story however. Mr Roberto Mazzotta, chairman of Cariplo, the Milan-based institution that ranks among the world's largest savings banks, points out that the entrepreneurial spirit of Lombardy has more ancient roots than that in any other part of Italy and industrialisation took place here earlier than in other regions.

Mr Mazzotta stresses that Lombardy has always been a magnet for immigrants from other parts of the country, a region that attracts people who want to work. He should know, being the son of a Pugliese father and Piedmontese monther.

Work is indeed the Lombard ethic. The unemployment level here is 7.5 per cent, compared to a national average that has been oscillating between 11 and 12 per cent. Some 52 per cent of the region's workforce are employed in the services sector, many of them in finance, transport and communications. The centre of Milan in recent years has undergone a dramatic property boom as banks and non-banks have expanded with the stockmarket rise and industrial turnaround.

The boom has also seen the growth of traditional industrial concerns such as Lombardy's most famous companies - Pirelli and Montedison. But small business has also prospered, whether it be the region's thousands of shoemaking, silk, textile and precision engineering companies or its gold, silver and jewellery artisans.

Aside from industry Lombardy is also one of Italy's more fertile dairy and agricultural zones, with prosperous farmers up and down the Po valley. And the industrious determination of private steel and machine tools companies in the Brescia province east of Milan is legendary, although the former have been facing a tough time along with the state steel sector.

The political state of affairs in Lombardy is less reassuring. At the regional level the five-party coalition government led by Mr Bruno Tabacci, a Christian Democrat, is a mirror of the national political structure found in the Rome government. The regional authorities have had an especially difficult time in recent months trying to first cope with and then administer aid (in conjunction with Rome) to the stricken municipalities in the Valtellina province near the Swiss border, where massive landslides and floods caused death and and much destruction.

The activities of the Milan city council have traditionally, however, dominated the Lombard political scene. Milan is the home and power-base of Socialist party leader and former prime minister Bettino Craxi. Until 1985 the city had been governed for a decade by a centre-left coalition that comprised the Socialists, Communists and Social Democrats. Now a five party coalition is in place and it is led by Mayor Paolo Pillitteri, a Socialist who is also Mr Craxi's brother-in-law.

The Milan city coalition government has been torn by internal conflict in recent weeks, not least by an alleged scandal which concerns buildings constructed by Mr Salvatore Ligresti, the Milan-based property developer and financier. Two Milan city councillors - Mr Carlo Radice Fossati (a Christian Democrat) and Mr Franco De Angelis (a Republican) - have alleged improprieties related to the Ligresti projects. Details aside, the case, now in court, could have political consequences.

Meanwhile, parties in the Milan council are rowing about different plans for expanding the city's sports capacity in order to host part of the 1990 World Cup football matches.

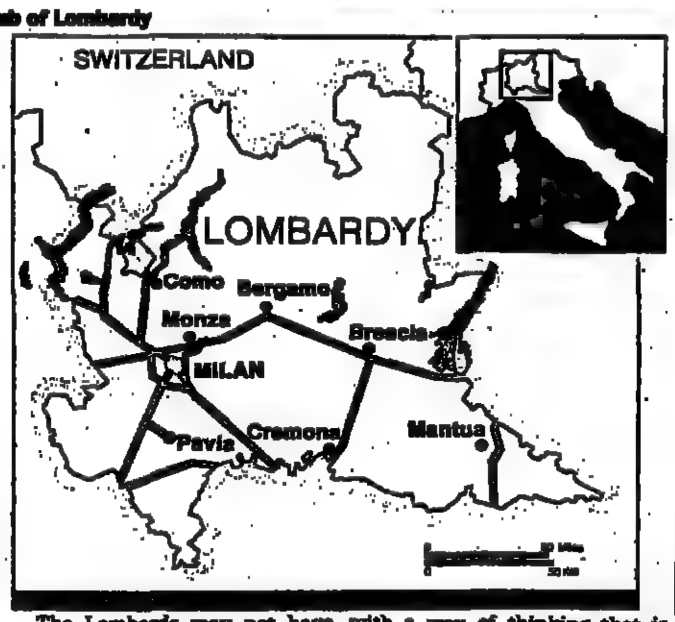
Finally, the mayor recently suggested that the five-party coalition might be opened to other parties and this has led to speculation that the Greens or even Communists might be seeking a role in the city's government. This last point relates more to the strategies of Italian parties at the national than local level as city governments in Italy are often seen as testing grounds for future national trends.

It is not just the politicians who are jockeying for a role in maintaining the momentum of Lombard development. Pirelli, the tyre and cable company which is one of Italy's biggest multinationals, is launching a high-tech science and corporate park on the outskirts of Milan.

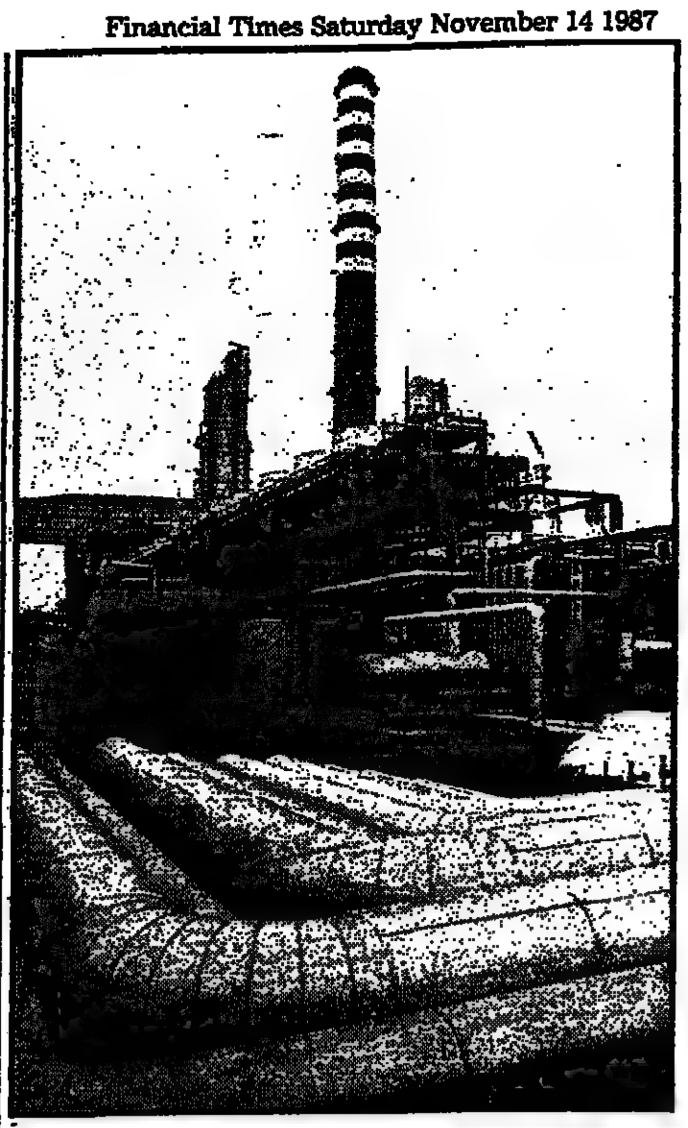
Beyond politics and business Lombardy is also an important centre for tourism. Milan itself, despite its wedding-cake Gothic cathedral, is not a great tourist centre, but Lombardy is the home of the famous Italian lakes - Como, Maggiore, Garda and Orta. Its towns include the mediaeval treasures of Mantua, home of the Gonzagas, the famed monastery of Pavia and the discreet beauty of Bergamo, perched in the foot-hills of the Alps north east of Milan.

Last, but not least, Lombardy's capital has established itself in recent years as a world-class fashion and design centre.

Milan's Galleria is a focal point of the city, just as Milan is the hub of Lombardy



The Lombards may not have the romantic image of their compatriots in the South of Italy, but they would not want it anyway. They are fiercely independent; with a way of thinking that is more *mittel-Europa* than Latin, and their hard-driving work ethic has made many a Lombard, extremely well-off.



The ENI Po oil refinery near Pavia

Finance and Industry

Vital engine of economy

OTTORINO BELTRAMI, chairman at the industrialists' association Assolombarda, had no doubts. "Lombardy is the most fortunate region," he said. It would be hard to disagree. There is an industrial depth and breadth unmatched by any other Italian region.

The cradle of the country's industrialisation at the turn of the century, Lombardy later led reconstruction in the post-war period, and its manufacturing companies then became the driving force behind the 1960s economic miracle.

Geography and time have helped the region to build a solid industrial base. Being the part of Italy closest to northern and central Europe has meant being nearest to markets and to outside influences. Lombard industrialists have grasped these advantages and exploited the opportunities offered by always being in the country's vanguard of industrial progress.

Roberto Mazzotta, chairman of the Lombard savings bank Cariplo, described the region as possessing three fundamental characteristics. "There is a highly diversified fabric, with a balanced spread of small, medium and large companies. Second, the business spirit is long-standing and well-rooted. The industrial craftsmen or journeymen of the 19th century were the predecessors of today's industrialists. Third, industry enjoys support and encouragement, and in this the role of Austrian fiscal policy should not be under-estimated" said Mr Mazzotta.

It will be no surprise to those who know Milan that the Lombard capital enjoys the predominant role in the region's industry. The visitor by air, rail or road cannot fail to notice the many factories in and around the city.

"In terms of jobs, more than one half of Lombard industry is found in Milan province," said Mr Beltrami. "IBM and Honeywell in computers, Montedison in chemicals, Pirelli in rubber and cables, Falck in the steel sector, Borletti, Marelli and Snia in electronics, and Alfa Lancia in motorcar manufacturing. Milan province offers an enormous variety of sectors and companies", said Mr Beltrami.

Although Milan is Lombardy's industrial centre of gravity, the region's other eight provinces are certainly not arcadian havens spared the presence of factories. Indeed, Mr Beltrami described the Brescian metallurgical and machine tools industries as Lombardy's diamond point. Varese is known for shoes and textiles, while neighbouring Como has silk and furniture making. Even provinces which are considered agricultural, like Cremona, Mantua and Pavia, have significant pockets of industry.

The contrast between industrial and agricultural Lombardy can be sharp, particularly where traditional smokestack industries are concerned. The oil refineries, steelworks and chemicals plants near the city of Milan are representatives of heavy industry whose presence is less welcome in a period when increasing importance is being given to the environment.

Milan province had first hand experience of ecological disaster when a dioxin plant exploded at Seveso in the northern part of the city's industrial ring. Assolombarda is aware of the environmental issue.

"Above all business has a moral duty not to cause damage. We recognise the need to spend and do more. But the matter must be faced rationally to ensure that the cure is not worse than the illness", said Mr Beltrami. However, according to Mr Beltrami, industry is not the only environmental marauder in Lombardy.

Other culprits can be identified. Indeed, he suggested that the agricultural sector is more blameworthy than industry. "Farmers do not care about the environment. They choose the cheapest and quickest solutions to problems", he said.

"But why does industry not develop and produce non-damaging herbicides and pesticides?" asked Mr Nino Pisoni, who is one of several members of the European Parliament who represent the interests of the Christian Democrat Farmers' Union, the Coltivatori Diretti.

He heads the Colidiretti's Lombardy branch and has been able to see the results of disregard for the region's ecology. "The River Ticino was once full of fish, but it is now an open drain. Indus-

Continued on next page

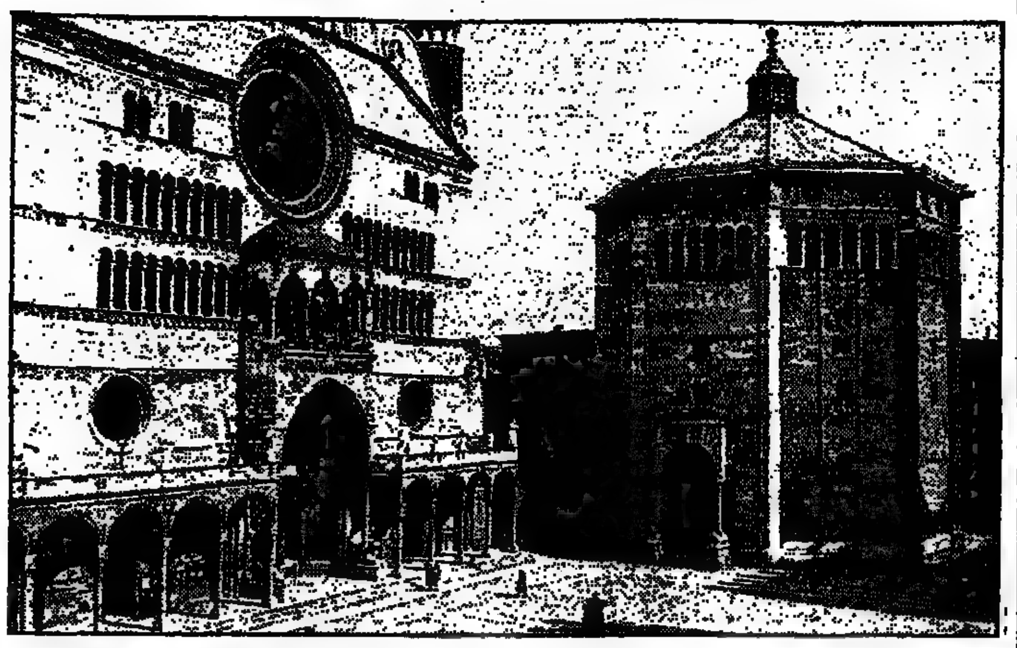
Cremona carries on a tradition made famous by Stradivari

Craftsmen stay in tune

ANTONIO Stradivari's date of birth is unknown. No birth registration has ever come to light and nothing is recorded about the parents and childhood of the world's most-famed maker of stringed instruments. Historians are undecided whether Stradivari's year of birth was 1644 or 1648. They do know, however, that he died on 18 December 1737.

This year's events in the beautiful and historic Lombard city of Cremona therefore commemorates the 250th anniversary of Stradivari's death. Four weeks of concerts started at the end of August with the English Chamber Orchestra and Pinchas Zukerman. The rich programme of music was brought to an end by the Orchestra Filamonica della Scala conducted by Carlo Maria Giulini. The concert of works by Brahms had Salvatore Accardo as the soloist in the violin concerto.

While live music was an important part of Cremona's homage to Stradivari, the specially mounted exhibition of his instruments was the central happening. Nearly 50 violins, violas and cellos were brought together from many countries and put on show in the Palazzo Comunale. From the 'Tullaye' violin of 1670 to the 'Muntz' violin of 1736, visitors enjoyed a unique opportunity to examine the instruments at close range, and be surprised and charmed by their beauty and their fine condition so many years after leaving the master craftsman's workshop.



The Baptistry and cathedral in Cremona

Stradivari's instruments have been invested with almost mystical qualities, exciting admiration and emotion. Though the secrets of his art have now largely been unveiled, the exhibition in Cremona drew today's craftsmen in considerable numbers. Armed with torches, they gazed at and studied the shaping and carpentry of the wood and the colouring of the varnishes.

Antonio Stradivari is a fascinating figure for several reasons. The gap in knowledge about his birth and childhood provides an element of mystery. And his prodigious output amazes. It is estimated that duing a working life of over 70 years he made well over 1,000 instruments. More than 600 of his violins are known to exist. But above all Stradivari represents pinnacle of creativity in instrument making.

In Antonio Stradivari the Cremonese School, of which Andrea Amati was the founder at the beginning of the sixteenth century, reached its peak. It is generally held that the perfection of Stradivari's violins is due to the marriage of fine structural form to superb quality of sound. Achieving its zenith with Antonio Stradivari, the classical Cremonese School also arrived, however, at its culmination.

That it developed and thrived over an arc of more than two centuries, is attributable in fair measure to Nicolo Amati, the grandson of Andrea. He had many apprentices. It is believed that both Antonio Stradivari and Andrea Guarneri, the first member of another family line of Cremonese instrument makers, were taught by Nicolo Amati. However, although the sons of Stradivari and grandsons of Andrea Guarneri continued the tradition, they were all dead within a short period of Antonio Stradivari.

The names of the instruments exhibited in Cremona's Palazzo Comunale are very evocative: La Cathedrale of 1707, the Gore-Booth cello of 1710, the Soil of 1714, the Cremonese and Tiziano of 1715, the Lady Blunt of 1721, the Sassoon of 1738 and the Gibson viola of 1734. Visitors were able to see a treasure-house of instruments. But Andrea Mosconi, the city's curator of instruments, said that although the exhibition was insured for L60bn it was virtually impossible to attribute a monetary value to the works on display.

Nearly half of Italy's instrument makers are registered with the city's Chamber of Commerce

September's anniversary to remember Antonio Stradivari helped to focus attention on Cremona's present as well as on the city's past. There has been a renaissance in instrument making. Nearly one half of Italy's 125 recognised craftsmen in the sector are registered with Cremona's Chamber of Commerce. Total annual national production of stringed instruments of quality numbers about 1500, of which 900 are made in the craftsmen's workshops of Cremona. It is estimated that their business brings the city about L3bn each year.

Giobatta Morassi, though Friulian by birth, has worked in Cremona since the late 1950s. He is widely recognised as the leading 'liutaio' today, and the person who has done most to revive the art and skill of instrument making in the Lombard city. In spite of the establishment of a state institute of violin making in Cremona as part of the 200th anniversary events in 1937, little progress was made in rebuilding the tradition of the classical school until the 1970s

As a teacher at the institute and through his own workshop Mr Morassi has been instrumental in underwriting Cremona's claim to be the city of violins. Kept busy by orders from clients, invitations to adjudicate at professional exhibitions and by his work a chairman of Italy's association of 'liutai professionisti', Mr Morassi admits that nowadays he no longer has the time necessary to follow and help apprentices. But during the past 30 years he has been master to over 50 pupils.

Production from Mr Morassi's bench in his workshop in Cremona's mediaeval centre is small. He makes between eight and ten instruments each year to individual order, not for stock. At present he has two years work in hand. It seems that healthy order books are usual for the city's top instrument makers.

"You will certainly not find stock in the 'botteghe' of the best 'maestro liutai'" said Mr Morassi. With high quality concert violins from today's best-known 'liutai' costing L10m and more, their business presents a rosy picture. However, lower down the scale some instrument makers are enjoying less buoyant conditions.

Apprentices and non-registered craftsmen represent severe competition from the sector's black economy. They are also a threat to the sector's good name.

But for Mr Morassi a bigger problem is posed by raw materials. Wood for instruments still comes from the same areas which served Stradivari. Seasoned wood of good qualityis becoming increasingly difficult to find.

Balkan maple for instruments' backs comes from Yugoslavia, Austria and Germany while spruce for tops is found in north eastern Italy. Clearly proximity to raw materials has not been a factor behind Cremonese violin making.

From a professional point of view Mr Morassi was enthusiastic about the Stradivari exhibition. "It had to be seen several times in order to understand how Stradivari's artistry and technique developed. It was a lesson," he said.

He also noted that the exhibition attracted foreigners who then visited the workshops of Cremona's 'liutai'. About 95 per cent of his instruments are made for foreign clients, Japanese, Americans and Germans, so he is very aware of the 1987 anniversary's yield in terms of marketing and image-making.

Exports are crucial for most of the top instrument makers working in Cremona today. Dawne Haddad is a South African who has lived in the city since the early 1970s, first studying at the institute for four years and then setting up her own workshop. Her speciality is cello making. Nearly all those which she makes cross the Atlantic to serve teachers at US conservatories and players in US orchestras.

In this respect, as well as in a profound love for their art and craft, the 'liutai' of Cremona in 1987 are following the example set by their illustrious predecessors.

Although situated in the rich agricultural area of the Lombard plains, about 59 miles south east of Milan and off the beaten track, Cremona is far from being a provincial city isolated from the world outside. The presence of foreign students at the institute of violin making and the workshops of foreign 'liutai' point to the city's openness to outsiders and its international awareness.

David Lane.

Vital engine

Continued from previous page

trial outlets have ruined Lombard waterways" he claims.

Notwithstanding the pollution, and the claims and counter-claims as to the responsibility for it, Lombard agriculture matches industry in terms of diversification, efficiency and economic health. "Lombardy ranks at the top of Italy's agricultural league table. And it would be wrong to think of Milan as only industrial, the Milan province has huge agricultural production and is the most important province in the region", explained Mr Pisoni.

He said that the region's dairy farms are responsible for more than one half of Italian milk production. The irrigated meadows known as 'le Marcite', which are fed by the rivers of the Po valley and an extensive canal system, enjoy a plentiful supply of water. Farmers can obtain up to six cuts annually of good forage for cows.

Milan and Cremona are important provinces for dairy farming. Brescia and Mantua are prominent in rearing livestock for meat. The cultivation of maize is widespread in the area south-eastwards from Milan. Rice fields lie to the south-west of the city, their mirror surfaces giving the false impression of flooding to unknowing passengers in aircraft on the approach to Linate airport.

Pavia is the province where Lombardy's rice-growing is concentrated. But Pavia is also a microcosm of Italian agriculture. "There is every kind of farming in Pavia. Livestock, maize, rice, beet, fruit and excellent wines", said Mr Pisoni. Indeed the Oltrepo Pavese is the source of excellent sparkling wines and some good reds like Bonarda. In the province of Sondrio, Lombardy can claim another first-class wine-making area.

Alongside the growing agricultural sector,a vast transformation industry has developed in Lombardy; Unilever and Nestle are present in an extensive list of firms making foodstuffs. Galbani, Invernizzi, Citerio,Vismara and Polenghi Lombardi are the best-known local names.

Polenghi Lombardi is owned by an affiliate of the Colidiretti. Its dairy factory at Lodi south of Milanturns local milk into fresh cheese, Grana Padana (the Lombard answer to Parmesan), gorgonzola (a real Lombard original) and butter.

Behind the region's highly developed agricultural and industrial economy there is a banking structure to match. Figures from the Italian banking association ABI show that Lombardy hosts the head offices of 169 different banks. There is a total of nearly 2400 different branches in the region. At the end of last year these held deposits of L121,543bn, equal to 28 per cent of total deposits in the Italian banking system. The runner-up region was the capital's Latium with L54,491bn.

Lombardy also leads the way in lending. With L84,066bn on loan, Lombardy had 27 per cent of the national total. The chairman of Cariplo, which as well as holding the biggest share of the Lombard banking market also lays claim to being the world's largest savings bank, sums up the region. "Our typical customer is a small to medium-sized firm in agriculture, industry or the service sector. There is no concentration of risk and default problems are minimal. The bank and its customers complement each other. Heavily capitalised, Cariplo has made its reputation for solidity, trust and efficiency" said Mr Mazzotta.

David Lane

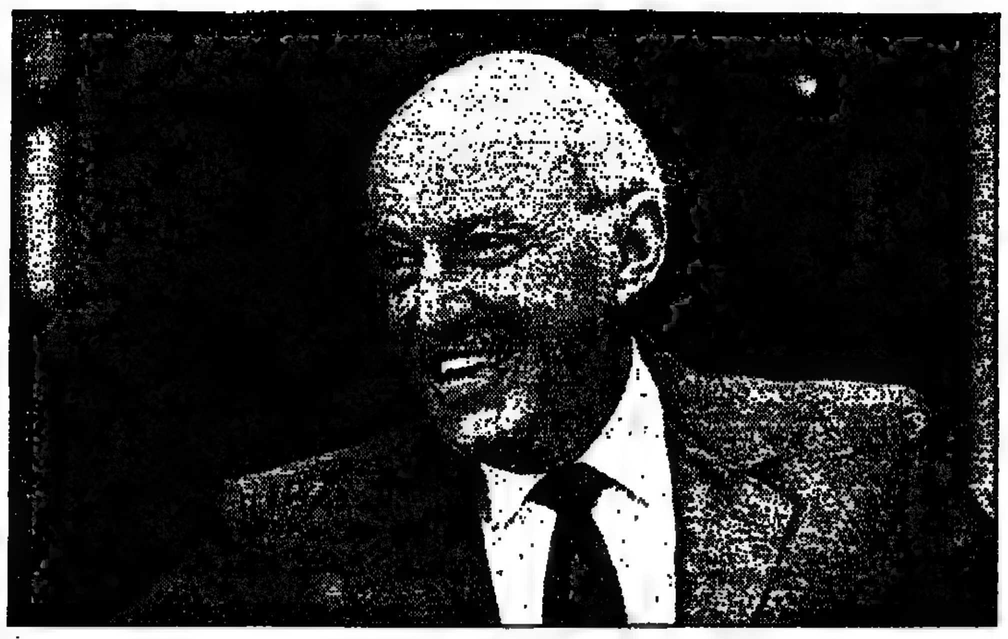
Profile: Leopoldo Pirelli

Aristocrat at the wheel

LEOPOLDO PIRELLI does not like publicity. The 62-year-old chairman of the eponymous tyre and cables group is a shy and discreet individual, an introvert whose assiduous shunning of the limelight makes him the exact opposite of Gianni Agnelli, his close friend and long-time ally in the Italian business world.

While Gianni was brought up in a lavish and princely style to expect wealth and power, Leopoldo's upbringing embodied the severe and Calvinistic principles of his Milanese industrial family. And so in the 1950s, while his friend the Fiat heir from Piedmont was still enjoying a playboy existence on the Cote d'Azur, Leopoldo was already ensconced as managing director of the tyre business, putting in long hours of toil amid the grey of Lombardy's capital.

From an early age Leopoldo had less reason to nurture the kind of flippant sense of humour that he so admires in his friend Gianni Agnelli. As a child in the Pirelli home he was accustomed to hearing his father Alberto Pirelli talking shop.



Leopoldo Pirelli: shunner of the limelight

When it came time to choose a university it was Mr Luigi Emanueli, the family firm's chief engineer, who decided that Leopoldo would enrol in mechanical engineering at Milan's polytechnical institute. And while in theory it should have fallen to his elder brother Giovanni to have taken charge at the family company, Leopoldo stepped forward in 1954 when his brother chose instead to pursue a career in socialist politics and philanthropy.

In 1959, when his father was stricken by a serious illness, Leopoldo assumed command of the Pirelli group as chief executive officer. He has remained in charge ever since. A fluent English speaker with an English sense of understatement, Mr Pirelli has an aristocratic air about him and an inverse snobbery that can be seen by the way he dotes on the cheapest of Italian Nazionale cigarettes.

In public appearances he seems ill at ease, in private he likes nothing better than to listen to his friends talk while sipping from a glass of good Scotch whisky.

Inside Pirelli's modest headquarters, Leopoldo is very much the feared and respected company patriarch, grandson of Giovanni Battista Pirelli, the man who founded the original rubber products business in 1872. He is surrounded by a small group of top executives, conservative and polyglot men of the world who preside over an empire of 130 tyre and cable operations in 16 countries.

With more than two thirds of last year's sales of $4.7bn derived from outside of Italy the Pirelli group ranks as the most multinational of. Italy's big companies. And while Pirelli is the fifth biggest Italian private sector concern (after Fiat, Montedison, Ferruzzi and Olivetti) it produces an 'aggregate' rather than a 'consolidated balance sheet'. This is because of the fragmented shareholding structure of the group which has the Milan-based Pirelli and Company owning roughly 18 per cent of two different holding groups - one Italian and the other Swiss - that in turn control the world-wide operations. Leopoldo's family has only around five per cent of Pirelli and Company.

Pirelli's structure is a hold-over from the days when working in foreign currencies was easier to do from Switzerland than from inside Italy and today the group sees no reason to make a radical change in order to consolidate the accounts.

Mr Pirelli takes the main strategic decisions, but relies on his top executives to handle day-to-day matters. A stern man in some respects Leopoldo has no qualms about taking responsibility for past errors. Thus in a recent Harvard case study he owned up to the disastrous Pirelli-Dunlop marriage of 1970 that ended in divorce and losses a decade later.

Likewise, in the mid-1970s he twice refused the presidency of Confindustria, the Italian employers' association, in order to concentrate on managing his group. And when the need to raise cash called for the sale of the landmark Pirelli tower in Milan, Leopoldo took what must have been a painful decision and moved from his eyrie on the tower's 30th floor to a more modest book-lined office on the second floor of a less imposing headquarters building a few steps away from Montedison's in another part of Milan.

In the Italian business world Leopoldo Pirelli is of course decidedly establishment - he is Lombardy's most prominent industrialist and given his manner and tastes probably its most quintessential representative as well.

He sits on the boards of several establishment concerns, among them Mediobanca, the Milan merchant bank that for the past generation has been run by Mr Pirelli's friend and mentor, the secretive Enrico Cuccia. Mr Cuccia is the man who designed and held together a spider's web of industrial cross-holdings which in the view of reformers in Italian capitalism has maintained an oligarchic power structure of which Pirelli is an integral part. "What Cuccia wants," Leopoldo once remarked, "God wants too."

But Leopoldo Pirelli is not quite the grey boardroom figure that his self-effacing image might suggest. Aside from the charm and wit his friends say he exhibits at private dinners, the man is also a passionate opera buff and sailor. He loves slipping away from work and retreating to his box at La Scala and he is said to be most at peace with himself when motoring down to the Riviera to join his crew of two who care for the Seilan, his 60-foot ketch.

Alan Friedman

Janet Marsh previews sales of racehorse portraits by George Stubbs

Painter by appointment to the equine fancy

FOR A painter in the 18th and early 19th century, there was no better business than supplying portraits of horses. Civilised society depended upon the horse. It provided power and transport in peace and war. It was indispensable to the principal sports of the English gentry, hunting and racing. A gentleman's stable was a measure of his status. He wanted its stars recorded on canvas.

Eighteenth century boys were as passionately absorbed in the niceties of horse flesh as their descendants would be in railways, racing cars or aircraft. The biographies of most of the great horse painters record childhood passions for drawing horses. Many of them were brought up with the animals. George Stubbs' father was a currier - a dyer of hides. The adolescent Sawrey Gilpin was fascinated by the draft horses in Covent Garden market. John Frederick Herring spent his early manhood as a coach driver.

Despite the abundance of fine equestrian painters - John Wootton, the Sartorious family, George Morland, John Philip Reinagle, James Ward and Ben Marshall - it was hard for them to keep up with the huge demand. Genius and journeyman alike were kept busy dashing by coach from one end of the country to the other to record the current pets of English landowners. Their work adorned every great house in the country. The shrewd horse painter could become rich.

The greatest of them all, George Stubbs, was as prolific as the rest, but he never became rich: too much of his energy was devoted to study and science. Basil Taylor has called Stubbs, next to Leonardo da Vinci, the greatest painter-scientist in history. Today this view does not seem excessive, though it took the English a long time to recognise an artist with so homespun a name as one of the world masters of painting.

Stubbs' portrait of Marske, the sire of Eclipse, against a romantic landscape

Born in 1724, Stubbs had very little formal training. He was fascinated by anatomy and became so expert that he lectured at York hospital and illustrated a scientific work on midwifery – learning the technique of engraving so that he could make his own plates.

Subsequently he spent a year and a half on a Lincolnshire farm, scientifically dissecting and drawing horses. The outcome of this grisly research was The Anatomy of the Horse, published in 1766 with illustrations etched by Stubbs himself. It remains a classic, a rare combination of science and beauty.

The remaining 40 years of Stubbs' long life were mostly occupied with commissions for horse portraits, though he found time to experiment with a chemistry and techniques of enamel painting. His mastery of anatomy gives his paintings a rare veracity: we can unhesitatingly accept Stubbs' evidence of the changing form of the thoroughbred horse.

There is much more than scientific documentation in his paintings however. He is a master of composition. His animals have a unique vitality, with nothing wooden in their repose. They merely seem obligingly to have paused in their motion to allow the artist's observation: there is a tension that suggests that the next moment they will toss their heads and canter off. When they have human companions and attendants, these too are vividly characterised.

Several important Stubbs paintings appear at auction in London next week. By far the most important is a portrait - signed and dated 1770 - of Eclipse, the most famous horse in the history of English racing. Bred by the Duke of Cumberland, he was foaled during the great eclipse of April 1, 1764. Never beaten on the track, he is said to have sired 334 winners; his descendants have included more than 100 Derby winners.

The composition is extraordinary - even eccentric. Instead of the usual pastoral landscape background, Stubbs places the horse before the rubbing-down house at Newmarket - a geometric mass which dominates the right side of the picture, its left edge uncompromisingly bisecting the composition vertically. The blank wall of the shed provides an isolated background for the young groom and hawk-nosed jockey in attendance. Stubbs' most curious experiment is to allow the edge of the building to cut across the horse's neck.

It is hard to guess what price the picture will realise, except that it is likely to be well in excess of £500,000. A companion piece from the same property - originally in the possession of Eclipse's last owner Col Dennis O'Kelly - is Stubbs' portrait of the sire of Eclipse, Marske. This shows a lovely dark bay horse against a rocky romantic landscape, and is estimated in excess of £400,000. A third Stubbs portrait in the same sale shows a bay racer, Sweetwilliam.

An earlier historic horse, Flying Childers, also figures in the Christie sale on November 20. The first great English thoroughbred, he was sired in 1715 by the Darley Arabian - one of three legendary Arab stallions brought to Britain to transform the bloodstock at the same period. (The others were the Byerley Turk and the Godolphin Arabian). In his day Flying Childers was reckoned the greatest racehorse ever seen. The anonymous contemporary painting shows him on Newmarket Heath, attended by a groom. It is a trifle wooden, but not without charm, and is estimated at £15,000-£20,000.

Yet another Stubbs appears in a Sotheby's sale on November 18. This shows a sturdy country squire with a fine chestnut hunter against an idyllic, perhaps West Country, landscape with lake and distant mansion. Signed and dated 1768, it is expected to realise £100,000 to £150,000. The Sotheby sale provides a positive panorama of 18th and 19th century equine portraiture, including paintings by Thomas Weaver, Gilpin, Ward, Francis Sartorious, William and Henry Barraud, Charles Towne, David Dalby of York, Harry Hall, Ben Marshall and H.B. Chalon, with estimates ranging from £3,000 to £150,000.

Nicholas Faith on a bid by Parisian auctioneers to rival London

Encore at the Hotel Druot

BELATEDLY, Parisian auctioneers are fighting back against Anglo-Saxon domination. Next Friday the superb collection of modern pictures accumulated by Georges Renand comes under the hammer, not at the city's normal auction rooms, the Hotel Druot, but at the Theatre des Champs Elysees in the Avenue Montaigne, renamed Druot Montaigne for the occasion.

In the course of a long life, Renand, one of the owners of the Samaritaine department store, bought a wide range of paintings, from some superb Corots to some highly important Modiglianis, one of which, Nue Assise sur un Divan, carries an estimate of between FFr40m and FFr50m (£4m to £5m).

The sale represents something of a triumph for Maitre Joel-Marie Millon, president of the sonorously-named Chambre des Commissaires Priseurs de Paris. France's commissaires priseurs - 100 work in Paris, 150-odd in the provinces - are government officials who until now have enjoyed a monopoly of auction sales.

But their licences are individual ones and until now only one group, Ader Picard et Tajan, has been able to offer vendors a comprehensive service. Their monopoly is doomed because of the EC free trade policy, and when it goes, which could be in months, not years, Sotheby's is likely to open in Paris, with Christie's not far behind.

In anticipation the Paris Commissaires are forming themselves into groups: Maitre Millon has assembled five of his colleagues to help him with the Renand sale. But many other commissaires are content with an easy life, relying on the share of the profits to which their licence entitles them. Some of the more active auctioneers are not as scrupulous as might be expected from employees of the French government: bids, it is said, bounce too often from chandelier to chandelier to trap unwary bidders.

For the monopoly, while cosy, has cost the Paris market dear. Until 30 years ago the Hotel Druot was far more important than the auction rooms in London and in New York. But it has now fallen far behind. Last year a mere FFr1.253bn (£125.3m) of goods passed through Druot. This was four fifths of the French total but less than half the amount sold by Christies or Sotheby's in London.

Yet the modern craze for Impressionist and Post-Impressionist paintings dates from the sale of the collection accumulated by Renand's friend Gabriel Cognaq. In May 1952 a Cezanne still life, Apples and Biscuits, fetched £33,700. At that point prices, it was assumed, had gone about as far as they could go.

Of course they hadn't. Five years later the Greek shipowner Basil Goulandris paid £106,000 for a Gauguin. By that time the late Peter Wilson of Sotheby's was on the warpath, and since 1957 the Hotel Druot has become largely the stamping ground for amateurs, or for dealers on the prowl for bargains.

Ten years ago the Commissaires Priseurs missed a unique opportunity. When they outgrew their old premises they were housed in the then-disused Gare d'Orsay which they could have bought for a song. Instead they rebuilt on the same tiny site and the Gare was transformed into a magnificent museum housing the best of French 19th century art.

Today the new Hotel Druot, a dreary warehouse of a place, is grossly overcrowded, with 8,000 visitors a week crammed into a series of small auction rooms designed for a quarter of that number. Moreover dealers - many of them acting for their London colleagues - do not find as many bargains as you might expect, if only because the quantity of any particular genre of objet d'art is so much smaller than in London, and demand has risen steeply in the past couple of decades.

The French government has the right to prevent the export of works of art by buying them for the same price as they were sold at auction. Apparently, however, Maitre Millon has persuaded the government to let most of the Renand collection (apart from two Van Goghs) out of the country.

But the government's right to buy is not the only shackle which could hobble his counter-attack. The London auction houses have well-oiled publicity machines, and though the Renand collection has been shown in New York and Tokyo, Maitre Millon and his colleagues do not have the same sales machinery as their London competitors.

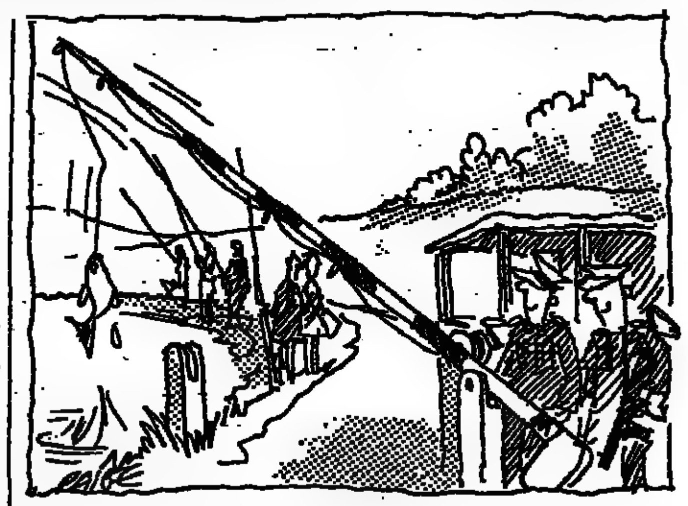
Over the past 30 years the London auction houses have greatly expanded the depth and breadth of the expertise they can offer. The French auctioneers employ experts, themselves licensed by the French government, who normally take a fee of 3 per cent in return for certifying that the picture or object on sale is genuine. The French - collectors and auctioneers alike - attach a greater importance to these certificates than do other nationalities, who rely on Sotheby's and Christies' natural desire not to make fools of themselves by selling fakes.

But the French auctioneers' biggest handicap is fiscal. In his manifesto *Innover Pour Reussir*, published earlier this year, Maitre Millon hammers away at a multitude of burdens, most notably the seven per cent registration tax shared between the French state, individual *departements* and the city of Paris. This prevents French auctioneers from charging the 10 per cent buyers' premium which now provides such a solid income base for their London-based competitors. Maitre Millon is hoping that the French treasury will reduce the burden.

He is also injecting a strong dose of showmanship into the Renand sale. The public will be able to view the collection all Thursday night until 4 am Friday and two days later Ader Picard et Tajan is mounting a Sunday sale.

When the theatre returns to its normal use Druot will retain space in the building. This will be used for specialised sales, preceded by proper viewing periods.

The counter-attack will undoubtedly liven up the Paris market, but the French are such individualists that Maitre Millon is already being attacked. Fine furniture dealers are planning a specialist auction room of their own, which will undoubtedly take away some of the gloss from even the new Druot.



Beside the river of many tongues

Nicholas Parsons joins a multi-national fishing party on the romantic Danube

IT WAS a blustery autumn Sunday on the Danube. As we crossed the footbridge to the Donau Insel we could see windsurfers hurtling across the river, hitting the water with a smack each time they turned.

Downstream the anglers gathered in bedraggled heaps along the bank; the *creme de la creme* of Hungary, Yugoslavia and the Viennese suburb of Floridsdorf.

They had been fishing for two hours in a three-hour competition. My wife translated for Hungarian Television which sent a two-man crew to catch the high drama. We also had to act as spectators, in and out of camera-shot like extras in a low-budget western.

The Austrian contingent wore clothes straight from an advertisment in The Field and all sorts of ancillary high tech, even down to floss-covered rod rests.

The Hungarian captain, dressed in red tracksuit, was catching more fish with a fibre glass rod slightly shorter than a telegraph pole, hauling one after the other from the dirty brown water. A small Austrian in a Tyrolean hat, who had caught only four or five tiddlers, seemed sunk in despondency; he stared inconsolably at his fashionable boots.

A Very light announced the end of the contest. Each angler's fish were extracted from their net cages, poured onto a weighing machine, then tipped unceremoniously back into the river.

The large bream swam towards Floridsdorf, to be caught by anglers lining the opposite bank, while the small fish floated pathetically, belly upwards, as though they were dead. When they thought no-one was looking they righted themselves and slid off into the depths.

Hungarian captain Janos Engert clocked up some 9½ kilos of fish, the Hungarian coach looking quietly confident. You have to win at club level, county level and national level before having a hope of getting into the Hungarian national team.

There are 350,000 registered anglers; competition is fierce. No wonder they put all the fish back and spend a proportion of club subscriptions on restocking.

The cost is even more daunting than the competition. Janos uses a West German Silver Star, nine metres and 30cm long, which cost 10,000 Forints - one and a half times the average Hungarian monthly salary. The national team owns an English Shakespeare rod, shared among members. This 13½ metre monster cost 70,000 Forints - just under a year's average salary. The rumblings of discontent among fishing wives are quite understandable. The Austrian master of ceremonies, Herr Schatzl, invited us to his friend's fishing station, a tiny houseboat moored to the bank, with a net at the rear raised and lowered by a wheel and pulley. Our host's small son periodically cranked the net from the bottom, remarked on its emptiness, and lowered it again.

DESPATCHES
· Vienna ·

As we downed our *heurige* wine Herr Schatzl talked about his father, a Danube riverboat captain. At one point our host interrupted to say that silver carp lived most of their lives in the Danube delta. Herr Schatzl thought the delta had nothing to do with it; what ruined the carp fishing higher up the Danube were the power stations.

This brought the conversation into a delicate area: Austrian companies are about to build a hydro-electric dam over the border in Hungary - an unpopular project with Hungarians but much desired by the Czechs, who will take most of the electricity.

Herr Schatzl's dream was a resurrection of the Austro-Hungarian empire along fishing lines. The Czechs and Rumanians are invited to the annual angling contests, but it seems they are not allowed to come. Perhaps the authorities sense the infectious, engaging idealism of the fishing fraternity.

These masochistic sportsmen are almost capable of creating a de facto multinational fisherman's republic, whose most repressive laws would concern the number of fish that may be caught and the number of rods allowed per angler.

Young Blue Eyes

Fay Ainscow profiles Julian Hodgson, the prodigal son of British chess

Julian Hodgson at the chess board. The cameras improve his play, he says

ONE CAN imagine chess whiz Julian Hodgson waking up in the morning saying: "Hello you lucky world, here I am."

"I have a fan club. Lots of chess friends who root for me," says the curly-haired, blue-eyed international master playing in today's final of the pre-recorded BIS Group British Speed Chess Championship at noon on Channel 4.

"I felt really good up there. The cameras and audience improved my play. I'm a real showman at heart," he says, a view confirmed by the Thames TV producers who regard the 24-year-old professional chess player as a natural with star qualities.

Does he feel like a star? "Just in the USSR where chess players are highly respected. I'm sure Kasparov is as well known there as Gorbachev. It's that kind of status. Champagne and caviare."

If this undisciplined player, who seems incapable of serious studying, was a Soviet citizen, he would probably be allocated a trainer to feed him ideas. But under this country's system, because he is about eighth best and not in the top three or four, this has not happened.

He is regarded as one of the world's most talented players, is on the brink of joining England's Olympiad chess team (ranked second in the world), and should soon become a grandmaster, achieving the highest international title. He would like to see chess popularised in this country.

"You need characters. In snooker you know the players, like Steve "Interesting" Davis. Who knows any chess players apart from Nigel Short?"

Determined to catch the public eye and win some money - the top prize in the Speed Championship is £2,000 - he put aside his happy-go-lucky approach and concentrated fully on the match which is played against the clock. "In a 25-minute game you put everything else out of your mind. I don't usually think in chess games, but I felt this was worth it, so I tried harder."

The "sudden death" knockout tournament brought together Britain's top players for viewer-friendly instant chess. At the cliff-hanging final a six seconds lead decides the championship.

Gary Kasparov came to watch, starting the game off. "It's a great feeling when the world champion starts your clock," says Julian. "I had a chat with him, saying, 'Gary, you remind me of Maradona.' He replied 'Well, I can run 100 metres in 11 or 12 seconds.'" But Kasparov's presence also inhibited Julian. "I kept wondering what moves he would have played."

A schoolboy chess champion, Julian started playing seriously when he was eight, representing England at 11. The oldest of five children from a warm, bustling family, he was educated at St Paul's in London, as were fellow competitors William Watson and Jon Speelman. When his parents could no longer afford the fees the school provided a substantial scholarship, with the remainder covered by Julian's chess winnings.

Was he such a good scholar? "Not at all," says his mother, Johanna. "He was very lazy. Still is. They were keen to keep him because of his chess ability." Always close to his family, he worries about his two youngest brothers of 11 and 13, remembering the things he used to do. "He nearly set fire to Holland Park," says Johanna. "They had to get the fire engines out. A friend of his was a bit of a pyromaniac. And Julian was with him. It terrified him so much he's never forgotten it."

After failing his first year exams at Leicester University he began to play chess professionally, apart from a six-month stint in the City which left him with five suits and an aversion to rush-hour travel.

"After an hour on the tube I felt as if I'd done a day's work. I'd come in sweating. It was disgusting. Then another hour going. No, it wasn't for me," says Julian. "So I've gone the other way, wearing track-suits, partly because I've put on so much weight that I can't get into any of my clothes. It's beer-drinking. It expands the gut."

The most charismatic of Britain's strongest chess players, he may well refresh those parts of a television audience that other players cannot reach. Will his participation in the Speed Championship throw up women admirers? "After this quick play they'll be flocking," he laughs.

Chess column, page VII.

Party ideas to set every glamourpuss purring

Night-time knockout

Lucia van der Post

HOW TO SPEND IT

THE GOOD NEWS is that I can hardly remember a time when the shops were quite so full of seductive evening wear. After several rather dull and understated years on the glamour dressing front the shops are rustling with silks and satins, glowing with soft velvets and frills and lace are everywhere.

The bad news is - how did you guess? - the prices. If you haven't been shopping for glad rags for quite a while grab a drink, take a deep breath and sit down. If you were to go into some of the big-name designer shops you could easily spend £2,000 or £3,000 without even trying. A friend who wandered into a Bond Street designer emporium found exactly what she wanted and was about to say wrap it up when she remembered to ask the price. Six thousand pounds they said as coolly as if that were an every day kind of cheque to write. Even for the less starry names it is very easy to come away with little change out of a thousand pounds.

If you're hoping to look glam this Christmas and haven't that kind of money (and even if you had, are much too sensible to think of spending it in that kind of way) my first piece of ad vice is to keep away from those emporia. Don't put temptation in your way. There are plenty of good classy names where you can come away dressed pretty stunningly for something like £200.

A good place to start would be Jaeger. This winter it offers some of the most sheerly desirable evening clothes I've seen in a long, long time and, though it takes the breath away to call prices of between £200 and £300 reasonable, in today's terms that is what they are. If you live in or near London go along to its elegantly revamped flagship store in Regent Street and browse among the silks and satins, the taffetas and tulles, the velvets and brocades. Choose from black, black and more black or go for burnished gold, dark mineral colours, glowing crimsons and emeralds.

Caroline Charles is a designer name to look out for where you can buy lots of class for your money. Go along to her own shop at 11 Beauchamp Place, London SW3, or any of her other stockists and you will find sophistication, glamour and the kind of clothes that will go on looking good for many a party to come.

Those who are liable to be partying in houses where the central heating is less than certain could hardly do better than go for her impeccably cut long black velvet dress, given a seductive air by its close fitting bodice and sleeves and its tiny, carved jet buttons. It may not speak 101 per cent of the winter of '87 but on the other hand nor will it do so in 1989. It's the kind of classic flatterer that almost every wardrobe could do with and at £390 seems a true investment. Chilly mortals who prefer something more revealing for indoors and want a flattering cover-up for rushing from house to car could go for one of her equally classic black velvet coats - any chap already beginning to ponder on the problem of what on earth to give his nearest and dearest for Christmas might like to give serious attention to the velvet coat. Cheaper and more socially acceptable than fur, it is just as flattering and very nearly as warm.

Besides Caroline Charles, Selfridges evening wear department has a good selection of hers and many other designers' evening wear. It's a good department to visit to get your eye in and take in a wide range of good labels. Roland Klein, Frank Usher, Jasper Conran and Janice Wainwright are just some of the names on offer.

One of the best buys of all must be Roland Klein's special number for Options at Austin Reed. Short, sharp and chic (if a little chilly, as it is sleeveless) it is made from black acetate taffeta and sells for £195.

Now to "the look". Sassy is the word for this year's party frocks. Fun, glamour and frivolity is what this year's evening dressing is chiefly about. For those with the youth and the legs it should be short and sassy, showing as much leg and as much creamy shoulder as central heating or a tough boarding school upbringing allows.

Before embarking on the short and sassy look I would recommend a rigorous session with a full-length mirror. Good legs and a svelte figure are all - if you haven't both, either a few months off the stodge or a more discreet style of dressing should be considered.

There are lots of alternative styles around - they may not look quite so *dernier cri* this year but I guarantee they will also probably look much less *passe* next season. There are lots of seductively draped jersey tops, plenty of sumptuous velvet that isn't necessarily cut short and cute. Add masses of jewellery (and though real will do, costume is often much more effective), remember that, above all, this is not the year to be discreet and understated, and have a good time.

David Fielden is a name that many a fashionable party-goer looks out for. For this winter he has plenty of short, flirty and eminently flattering numbers on offer. He likes a long, lean hip-length fitted top from which frills or lace or plenty of frou-frou spring seductively forth. He isn't cheap - his prices range from £400 to about £1,600 but this particular red silk taffeta dress, photographed above, is to order from £850, from his own shop at 137 Kings Road, London SW3. Worn with it are bow-scattered tights by Pretty Polly (£1.50 in many colours) and shoes by Dolcis.

Sketched, above right, are two designs from the latest collections at Norman Hartnell of 26 Bruton Street, London W1.

New designers to the house John Anderson and Roger Brines have produced two collections in time for the winter season - one couture (which, in spite of its overtones of old-style exclusivity, is currently flourishing) and one boutique.

Sketched left is MAGIC (what you get with haute couture is a NAME with your dress), made of an exclusive, shimmering French black lace. It is to order for £1,850 - an altogether grown-up, very sophisticated evening look.

From the boutique comes this short sleek number in gold and black silk lame ribbon with black silk taffeta frills. £875 (alternations, if necessary, are done by the couture work-rooms).

If you want a lot of glamour for your money take a look at what Jaeger has produced this season. There's something for almost everybody but the look overall is fun but grown-up. There are lots of shorter-length dresses, which on the whole seem to have a more durable life-span than long. Photographed right is an elegant treatment of the puffball line. In black and bronze, the longline top is velvet, the skirt, silk tafeta. £229 from selected Jaeger branches.

IF GRAND-STYLE entrances and a certain exclusivity are what you're after then Ian and Marcel could be the men for you. They are a double-act - two designers who specialise in creating hand-painted silk garments with a strange and elusive allure. They are Canadians who came to London about 10 years ago and who started by selling hand-painted silk scarves and cushions. They now have a list of private clients that sounds like a roll-call of stars of stage and screen.

They use only the best quality silks and silk velvets, scouring Italy, France and England for the finest of the fine. They have become experts at pleating silk in a rather Fortuny-like way but they use the material to produce garments of a rather more flattering nature. Fortuny dresses were beautiful but they did nothing for those who were not already svelte.

Ian and Marcel, by contrast, produce garments that are ideal for the less than sylph-like. They also provide glamorous warmth for all those endless events where the heating is not to be relied upon.

The silks are hand-painted with aniline dyes that are completely washable and dry cleanable. As garments are only made to order customers can specify colours and designs.

They are the perfect travelling garments. Made of silk so fine, so lightweight that they can be twisted, folded inwards and then packed into the tiny bag that Ian and Marcel provide with each dress, they emerge ready-to-wear.

These are couture garments, each one made-to-order and to measure so they are not cheap. Prices run at between £2,000 and £3,000 but Ian and Marcel claim that they will one day be collectors' items.

Sketched here are three outfits from the current collection. Anybody interested in the Ian and Marcel style should visit their showroom (by appointment only). Tel 01-499-7147) at 49a South Street, London, W1.

Bacon fights back

GOOD days begin with bacon. Waking to the smell of bacon cooking - fragrant shavings of bacon in John Buchan's phrase - is the Englishman's birthright. Breakfast without it is the light, the continental, the international, the too-delicate-to-face-it.

Even if there is an egg, it is not the real thing without bacon, and there is hardly a refrigerator in England that does not have its few rashers standing by. But only Anglo-Saxons, here and in America, regard bacon as an important matter for breakfast.

The bacon we eat nowadays is often not a British thing at all. The major contribution of the Danes to western civilisation is a continuing supply of consistently high-class bacon. Most British consumers seem to be willing to pay the small premium that Danish bacon commands in the market place. But its great virtue is the Danish virtue of consistency - the first love of the grocer, which has become the love of the consumer as well, as we all take our standards from our grocer in these matters.

British bacon is apparently fighting back. It varies a lot of course, from region to region, not only in the kind of pig it comes from, but in the method of curing too. There are more kinds of bacon than there are ways of cooking it. The region of origin, the breed of the pig, the method of curing and the part of the animal it comes from are all potent factors.

Some would say that nowadays the most important distinction is between bacon which is sold freshly sliced across the counter and pre-packed bacon, which is always a bit damp.

Did you know that Wiltshire bacon doesn't necessarily come from Wiltshire, but is a particular kind of cure? Did you know that "Canadian" bacon has nothing to do with Canada but is what Americans call back bacon, the kind that is cut from the long loin of the beast over the backbone and which has a wide fillet or nut of lean meat and a long strip of fat round it. To Americans, ordinary bacon is what we call streaky, which comes from the side and belly of the animal, with alternating layers of lean and fat. Streaky bacon if properly cured, cut thin and cooked on the grill produces the crisp and crumbly result that Americans consider the real thing.

Sainsbury's tell me that streaky is losing out a bit nowadays because fat-fearers are worried about it: but Americans are the great fat-fearers of the western world and they love streaky, with all the fat grilled out of it of course. A couple of thin streaky rashers pushed under the grill with a halved tomato is not only good eating for anyone who can face a proper breakfast but a genuinely trouble-free convenience food as well. A spoonful or two of fat will have fallen into the grill-pan. Tip it into a little dish or cup and save it for frying eggs. Eat the rest and go off to work leaving the minimum of washing up.

All over Europe, bacon in some form is a basic and time-honoured food. Despite all that flummery about the roast beef of old England, salted and smoked pork is what has kept Europeans going through the last few thousand winters.

In Britain of course we have got out of the habit of living with great lumps of it: but this is how it is normally sold nowadays in France, Italy, Germany and points east. If you use bacon in cooking, say to enrich a coq au vin, you will generally do better to pick up a piece of Bocjek or Pancetta at the delicatessen rather than open a packet of rashers. It will have been designed for just such a use rather than for a breakfast dish.

I should be glad to hear from any adventurous reader who has slashed himself or herself a couple of slices of East European smoked bacon for breakfast. How did it cook? How did it taste? What would John Buchan have thought?

In my (admittedly limited) experience of film locations, what everybody wants and needs to keep them going is bacon sandwiches. Never mind the refinements, the most sought-after version is the greasy-spoon original: two slices of white bread, untoasted but buttered with plenty of fried rashers jammed in between. Under the usual chilly circumstances there is no substitute. That, and a cup of hot sweet tea, has the unique flavour of the right thing in the right place. Don't ask what kind of bacon it ought to be and how cooked - these questions are of no consideration where bacon sandwiches are concerned.

Peter Fort

Very Special New Pales

Wine

THERE WAS a time when much of the best cognac carried a vintage label, and in the view of brandy amateurs here the finest of all was shipped at birth to Britain. For two centuries Britain was Cognac's biggest customer - until the US took over in 1979/80 - and is still deemed in the Charente the most discriminating.

Once here the non-topped casks lay in damp, bonded cellars for 20 years or more before being bottled: at natural strength if by then down to 70 proof (40% by volume of alcohol), or with carefully spaced-additions of distilled water to avoid clouding the spirit. They were pale, elegant, deliciously light-tasting brandies that had lost all their original fierceness and attack.

It was the paleness of these early-landed cognacs that led to the neck-label initials V.S.O.P.(standing, be it noted, in English, not French, for Very Special Old Pale). Maybe cognacs so labelled once were pale, but today they are unlikely to be either pale or old, since the minimum age for such a cognac is only a little over four years. Indeed if a bottle of cognac was thought to be pale, many would believe it below strength.

Hennessy and Martell, the largest Cognac houses, gave up shipping such young cognac in bulk at the beginning of the First World War, and in the inter-war years it became increasingly uneconomic to keep immature cognac for so long.

Nevertheless, this business continued on a diminished scale until the Second World War. The best customers, apart from a few traditional wine merchants were, surprisingly enough, the railway companies and the brewers.

As marketed, however, cognac is a blended spirit, produced from one or more of the six delimited areas in the Charente and distilled from several, spaced-out vintages of the thin local white wine. Evaporation, locally called "the angels share" (do they drink and fly?) means a loss of 2 per cent a year, and to prevent oxidation the casks are regularly topped up, initially with the same vintage, but before the final blend blend prior to bottling a proportion of older vintages will be included.

To ensure that a cask contained only a single vintage was difficult, and to have this monitored by the authorities almost impossible. (How many of those 1811s that fetch surprisingly high prices in the auction rooms are authentic?). So about 30 years ago, after several prosecutions, it was forbidden to sell vintage cognac, except for those early-landed casks that Britain bought to a tiny extent. A handful of merchants continued to buy the occasional vintage, mostly from Hine, who specialised in this business, and whose non-early-landed 1928 was the last vintage cognac widely available here. A little also was shipped by Delamain, the small distinguished house in Jarnac, which one might hesitate to call the Krug of cognac only because it might politely suggest that Krug was the Delamain of champagne.

One English merchant bought two hogsheads of Hine 1961, and when it was bottled 25 years later both casks were only half full and were combined before bottling. Although it had to be broken down a little with distilled water, it is a fine, rather elegant cognac, which some might dismiss as lacking in body, though not in strength, and a whim of the mad English. A few merchants have continued this trade, and in association with Hine, a firm here was formed to promote this: the Bristol Brandy Co, Redland House, Redland Rd, Bristol BS6 6YE. They chiefly supply the trade, but will entertain private customers, and keep their cogns for them. A cask costs between £2,500 and £3,500, charge of about £250 a year. Adnams of Southwold also lists six vintages of mature early-landed Hine Grande Champagne. However, after a discussion that began nearly a year ago, representatives of both growers and merchants in Cognac have agreed once more to sell vintage cognac, and when officially authorised it will probably start with the 1987 vintage. This change has been stimulated by the growing irritation of the Charentais with the Armagnacais who over the past 20 years have been labelling much of their brandy with a vintage date. Ignoring the possibility that some of the distillers in the Gers have got their dates wrong, and the certainty that in spite of this infinitely more cognac is sold than armagnac, the Charentais now realise the reclame that labelling the date of the vintage on a bottle carries.

This new vintage will not, however, resemble the early-landed type, for it will be held in separate, securely-locked Charente cellars in officially-sealed casks, and will not be bottled and sold until 15 years old: in 2002 for the 1987. If distilled water has to be added to bring down the strength to 40 per cent - the minimum for cognac - it will be done under official supervision.

There are mixed views in Cognac about this new move. Some believe that the consumer will be confused, since a vintage applied to a wine implies annual variations, which blended cognac seeks to avoid. Although the new vintage brandy may still be a blend derived from various properties and districts, in view of the capital lock-up, it is likely to be restricted to the top district of Grande Champagne, but from one year's distillation only. The majority view is that consumers will be attracted, probably especially in the Far East, where there is an enormous demand for cognacs of VSOP quality and upwards.

Edmund Penning-Rowsell

Anthony Curtis on a notable publishing centenary

Yellow Book to Greene

THE BODLEY HEAD 1887-1987
by J.W. Lambert. The Bodley Head £20.00, 364pages
PRINCE OF PUBLISHERS: A BIOGRAPHY OF THE GREAT VICTORIAN PUBLISHER GEORGE SMITH
by Jennifer Glyn. W.H.Allen/Allison & Busby. £14.95, 231 pages

PUBLISHING HISTORY abounds in ironies. This year, which marks the centenary of the distinguished English publishing house, The Bodley Head, saw its takeover in May by the American company Random House. No less ironical was the departure of Max Reinhardt, head of The Bodley Head since 1956, with the announcement that its most celebrated modern author, Graham Greene, will not be publishing his new novel under the imprint.

Another (and to my mind crueller) irony is that J.W.Lambert, the author of this history who took up the task, involving a prodigious amount of research in the company's archives, on his retirement from the Sunday Times, did not live to complete it. He was only three quarters of the way through when he died suddenly last year, but he left behind sufficient notes for Michael Ratcliffe to finish the story to the present.

Lambert set a high standard both in the writing and the amount of information he packed painlessly into each paragraph. He had perfected the technique during his long years as a literary journalist; there is no falling-off here. Lambert shows an awesome capacity for not becoming bored by the works and careers of authors who once graced the Bodley Head list.

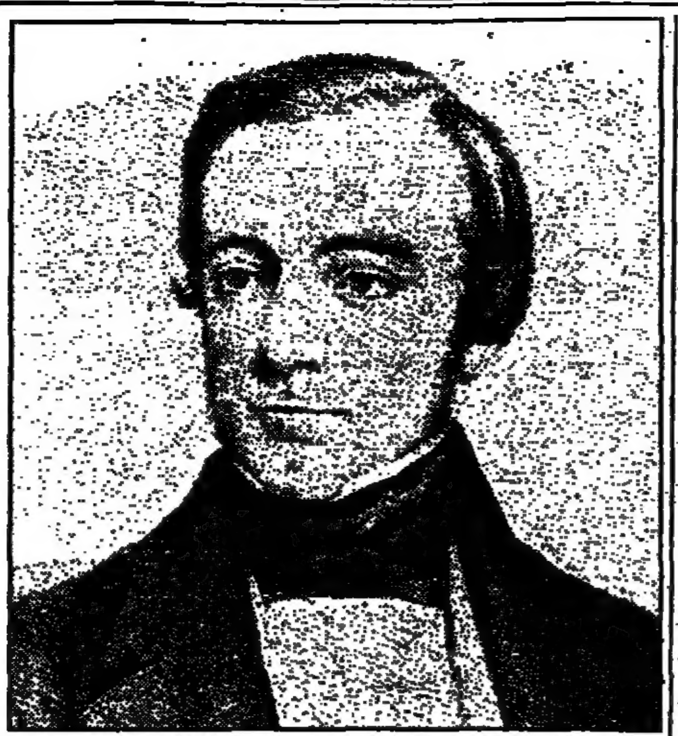
Who now reads Richard Le Gallienne or W.J. Locke? Well, Lambert did, evidently at some length. Both return to life in his pages, with several hundred others who have slipped irretrievably from our collective consciousness, but who were once of some importance to the company either as authors or members of staff or - in the case of Le Gallienne - both. Lambert's pen-portrait of this golden boy of the aesthetic movement (caricatured as the poet Grosvenor in Patience) who became first Literary Adviser to the firm, is neatly turned. Son of one Gallienne, a Liverpool brewery manager, Richard grew up, we are told, to add a Le to his name and:

... to be first the tyrant, then the adored cynosure, of his mother and a bevy of sisters, and to develop very early a consuming passion for anything in print, or in skirts, or in a glass.

Le Gallienne comes into the story early on, when a farmer's son John Lane, and a fastidious bibliophile, Elkin Mathews, join forces to set up a bookshop in Vigo Street, near Albany in Piccadilly where Lane had chambers. Lane was Devonshire-bred and Mathews had been selling rare books in Exeter; the partners therefore found an emblem in a great Devonian and Oxonian bookman, Sir Thomas Bodley.

Bookselling soon merged into the more ambitious and hazardous trade of publishing and The Bodley Head was launched as an imprint. Its first book was Le Gallienne's Volumes in Folio to be followed by some 89 rarefied volumes of verse and *belles lettres* until in 1894 Lane and Mathews parted company.

Like the great Victorian publisher George Smith, subject of a new biography, who started The Cornhill magazine and later the high quality newspaper The Pall Mall Gazette, Lane was a willing angel, supporting on his broad wings several magazines where his authors could publish their poems and stories, in the first instance.


George Smith who published the Brontes

The most famous of these was The Yellow Book which started just at the time when he was breaking with Mathews. They had already published some early works of Oscar Wilde with whom they had quarrelled and Wilde was not invited to contribute. Oscar paid them back by naming the two manservants in The Importance respectively Lane and Mathews.

Somehow though because of the striking Beardsley cover and the nature of much of the contents, such as articles by the young Max Beerbohm on masks, the new avant garde compilation came to be identified with Oscar's cult of art even though it included early feminist writing and social realism. The identification was completed when Wilde on his arrest was observed carrying a yellow-jacketed book - in reality a French novel. Soon bricks were being hurled at the Vigo Street shop by self-appointed custodians of public morals.

Lane survived that and other disasters. He was fortunate in his marriage to the rich American Annie Eichberg who proved an asset in many senses not least financial. Eventually he brought in his nephews Allen and John; the often- told story of how the former started Penguin books during a low ebb of the Bodley Head's fortunes fits into place fascinatingly here as do the periods when it was headed by C.J. Greenwood (with Stanley Unwin in the wings tightly pulling the purse-strings) and the reign of the urbane Max Reinhardt.

Both Lane and Smith were great hosts and much convivial hospitality echoes through these pages. Jennifer Glynn gives an account of the disastrous dinner-party when Smith had Charlotte Bronte down from Yorkshire to meet Thackeray. Her biography draws heavily on Smith's memoirs but these are not easily accessible, and it is good to have this brief readable account of the energetic Victorian publisher and entrepreneur to whom we owe among other enduring things the Dictionary of National Biography which he subsidised on the profits from Apollinaris water.

Those sharp eyes on the spot

THE FABER BOOK OF REPORTAGE
edited by John Carey. Faber and Faber, £14.95, 706 pages

JOHN CAREY, Merton Professor of English Literature at Oxford, has compiled a dangerous book: it may give those journalists who have not fallen into the trap already notions that they are artists rather than craftsmen.

In The Faber Book of Reportage, Professor Carey has assembled 272 eye-witness, or very good second-hand, accounts of momentous occasions spanning more 2,000 years. He starts with Thucydides' observations on a typhus-like plague that swept Athens in 430 BC and concludes with James Fenton's report on the bizarre goings-on at the Malacanang Palace just before and immediately after the fall of the Philippine government of President Marcos in February, 1986.

Naturally enough, the bulk of his collection is taken up with wars, battles, human catastrophes and tragedies, but he allows himself a few diversions, such as W.H. Hudson's account of a Norfolk holiday in 1887 and Mark Twain's on Americans abroad in 1867.

He chose this course so as not to be completely in thrall to the dictate of events. He has thoroughly pillaged newspaper accounts, histories, soldiers' diaries, autobiographies and travel books, in some cases preferring a well-written memoir long after the event to an actual on-the-spot account by the same author of the event itself.

Many of the reports demonstrate how good writing transcends the ages, such as Plato's moving account of the execution by poisoning of Socrates in 399 BC. It makes as good a read today as presumably it was then.

Several contributions, indeed, are those of bona fide artists, such as Paul Gauguin's account of his marriage to a Tonkinese maiden in Tahiti in 1892. Gauguin clearly was enchanted and we have not only his words but his paintings from the South Seas to remind us of what he beheld.

But the battleground and its aftermath take up the lion's share of the copy and prove that no matter how harrowing are the stories of recent years, it has, somehow, all happened before.

The full horror of death camps is borne out in Patrick Gordon-Walker's report of his visit to Belsen on April 24, 1945 where 30,000 lives were saved but 35,000 corpses were roughly accounted for. "To you at home," Gordon-Walker broadcast at the time, "this is one camp; there are many more; this is what you are fighting; none of this is propaganda; this is the plain and simple truth."

Gordon-Walker's experience rivals that of J.E. Neilly's from the beseiged garrison at Mafeking in 1900 where horses were routinely slaughtered into huge cauldrons to feed starved civilians and where a plague of locusts was regarded as manna from heaven with those close to death feeding on them "like outcast curs."

There is little that Professor Carey does not touch: Tacitus on the burning of Rome, 64 AD; Edward Grim on the murder of Thomas Becket, December 29, 1170; Jose de Acosta on Aztec human sacrifices, 1520; Robert Wynkfielde on the execution of Mary Queen of Scots, 1586; and, for relief, Garrick playing Hamlet, 1775, by Georg Christoph Lichtenburg.

If we wonder how the Japanese got their high technology read Commodore Matthew Perry's account of his display of Western hardware - telegraph and farm equipment - to amazed locals on a US naval visit to Japan in March, 1854. It is all his fault.

Unhappily, there is only one sports story - Bob Considine on Joe Louis' destruction of Max Schmeling. One would like to have read something from Edward R. Murrow, particularly his report on a bombing mission over Germany, The Flight of D-Dog; Louis Heren's blood-curdling account for The Times of the sikh slaughter of Moslems at the time of Indian partition; an Australian journalist's report of his close brush with death when he and colleagues were ambushed in Saigon at the time of the Tet offensive in January, 1968.

Frank Gray

Francis King on the most enigmatic of 20th century literary ladies

Woman and her roles

KATHERINE MANSFIELD: A SECRET LIFE
by Claire Tomalin. Viking. £14.95, 292 pages

THE TITLE of one of Pirandello's most famous plays *Come tu mi vuoi* (As You Desire Me) would stand well for this always hard-headed but never hard-hearted biography.

In it, Claire Tomalin eloquently demonstrates that the key to so much that is unworthy or inexplicable in Katherine Mansfield's behaviour lies in her desire to be all things to everyone. It was no doubt this desire which led her to write: "Would you not like to try all sorts of lives? - one is so very small", and which led A.R. Orage, executing a hostile portrait of her in a story in his New Age, to declare that "promiscuity of reflection, taste, judgement, character and intelligence is her distinctive and peculiar quality".

To the women who adored her - many of them, like the slave-like and saint-like Ida Baker, totally unaware of the nature of their adoration- she was someone who could experience intensity of love only with her own sex. To the many men with whom she had affairs she was the free woman who would express a cheerful willingness to take to prostitution if it would save her from poverty.

As Tomalin shows, her appearance would change as frequently as her persona, so that at one moment she would be looking like a depraved Japanese doll, at another like some robust Maori girl from New Zealand, and at yet another like some tortured sinner-saint in Dostoevsky. She would no less constantly change both the names by which she wished people to know her, and the fictions which she told about her past.

Because she was always so much the actress - Vera Brittain and Rebecca West used to maintain that she had actually performed at a lesbian night-club, The Cave of the Golden Calf - she would drag people into her life so that they could act as supporting players in her drama of the moment. When that drama had reached the end of its run and she was about to mount another, they had the experience, often cruel - of being dismissed.

So it was that she behaved so abominably to the fastidious, unworldly, gentlemanly singing-teacher George Bowden, whom, pregnant with another man's child, she cast for the role of husband and then abandoned on their wedding-night. So it was that she behaved even more abominably to the waif, Charlie Walter, whom she briefly adopted after her miscarriage and then, without a pang, sent back from Germany to his East End slum when he no longer had a part to play in her drama of motherhood.

What is new in this book is chiefly what Tomalin has to say about Mansfield's relationship with the Polish writer Floryan Sobieniowski. Tomalin's inference- no proof is possible- is that, during the course of a love-affair between the couple in Germany in 1909, Sobieniowski presented Mansfield with "two poisoned gifts".

One of these was an introduction to a Chekhov story, then scarcely known in England, which she plagiarised for her own story The Child-Who-Was-Tired. The other was infection with the gonorrhea which progressively weakened her health and so made her susceptible to the bacillus of tuberculosis (passed on by D.H. Lawrence, Tomalin surmises). Since, many years later, in 1920, Sobieniowsky blackmailed Mansfield - on what grounds there is now no way of knowing - Tomalin strikes me as being altogether more charitable to him than his conduct deserves.

If Tomalin shows too much charity to Sobienowsky, then she shows too little to John Middleton Murry. Sylvia Lynd's remark about "his boiling Katherine's bones to make soup" has a caustic, contemptuous truth in it. But Middleton Murry is not the only spouse to have idealised a dead partner. Such idealisation is perhaps no more reprehensible than to follow the modern practice of revealing a dead partner's every blemish. Murry's ambition was ugly, but so were Mansfield's egotism and the ruthlessness which served it.

Tomalin is admirably judicious in her estimates of both the stories and the woman. Of the first she writes: "Even those who dislike them acknowledge that there is something pungently alive in them." Of the second she says: "If she was never a saint, she was certainly a martyr, and a heroine in her recklessness, her dedication and her courage."

Mansfield's "secret life" is here laid bare with both astringency and sympathy.


George Banks's caricature of Katherine Mansfield

Fiction

Hotel in Las Vegas

THE PALACE
by Paul Erdman. Andre Deutsch. £10.95, 308 pages
ARE YOU LISTENING RABBI LOW
by J. P. Donleavy. Viking. £11.95, 405 pages.
LAST CALL
by Harry Mulisch, translated by Adrienne Dixon. Collins Harvill. £10.95, 288 pages.
THE HANDS OF CHERYL BOYD
by Maurice Leitch. Hutchinson. £10.95, 144 pages.
CHINESE WHISPERS
by Maurice Leitch, Hutchinson. £7.95, 71 pages.

TAKE TWO gorgeous black hookers and a bubble bath. Install them in the most expensive suite of a luxurious Las Vegas hotel, The Palace. Add small, fat, Danny Lehman, a balding one-time coin dealer who has risen from humble beginnings to become the owner of the hotel, the casino below it and a great many other things besides. What you have is the formula for a blockbuster novel, of the kind Paul Erdman does so well.

Danny is from Philadelphia. He is a wide boy who starts out laundering large amounts of small change for an anonymous customer, no questions asked, via a bank in the Cayman Islands. The money is being skimmed from the Palace casino, unknown to owners and Internal Revenue alike. Gradually Danny is sucked into the business until he decides to take it over himself, to the annoyance of the gangsters currently in charge. His first task is to deal with them, his second to put an end to the skimming.

He turns the Palace into a showcase for his ambitions, then looks eastward, to the casinos of Atlantic City. To find out how they do things in Europe, he takes one of the black hookers with him and sets off on a tour of London (Crockfords, Les Ambassadeurs), Baden Baden (the Kurhaus), and Beirut (the Casino de Liban), pursued by a vengeful hood who ends up being garrotted in the front seat of a car for his pains. From there it is a swift trip back to America and a classic boardroom battle, and Danny is on top of the world, worth in excess of $100m at pre-1987 prices.

All of which is pure hokum of course - gorgeous black ladies hardly ever happen to small, fat businessmen, particularly now that their stock options are worth nothing - but hokum of a high order. The author is in the dream business and knows his market. He is good on the Nevada gaming laws, better on Bahamian banking rules, best of all on the ins-and-outs of roulette and chemin de fer.

Sigmund Schultz, hero of J. P. Donleavy's Are You Listening Rabbi Low, is a high-roller too, as fans of his previous outing will no doubt recall. He is in London here, living in some style with butlers, limousines et al, the fruits of a foray into show business in partnership with Lord Nectarine and the egregious Binky Sunningdale.

His wife is after him for a particularly messy divorce - she throws herself off Tower Bridge to prove it - and plenty of other women are after him too, though for different reasons.

It's the mixture as before, in fact, Schultz behaving as outrageously as ever, in direct line of descent from Balthazar and the Ginger Man. He has trouble with his zipper, releases a flock of drunken pigeons in a hospital bedroom; and escapes from the press disguised as an Arab woman in purdah. He is rude, bad-tempered and foul-mouthed, always on about sex, a thoroughly unappetising character in the best, or worst, Donleavy tradition.

The author in fact has been taking a lot of stick for Schultz over the last couple of weeks, but it is difficult to see why. The charge against him is that the book is way over the top, full of schoolboy smut, four letter words and four letter substances into which Schultz will invariably tread. Donleavy is guilty on all counts - but then he always was. Rabbi Low doesn't seem any more offensive than anything else he has done. You either like his stuff or you don't: whatever its other shortcomings, it is always full of life and vigour.

The same might also be said of Uli Bouwmeester, the 78-year-old hero of Harry Mulisch's Last Call. He is an actor, called out of retirement to take the lead in a fringe theatre production in Amsterdam. His retirement has been a long one, because he collaborated with the Nazis in the war and has not worked since, but the other actors accord him the deference due to age, particularly since his family have been famous in Dutch theatre for more than 100 years.

The production is important to the theatre, as a means of qualifying for a vital subsidy. The company's travails, and Uli's, are recorded by a Jewish interviewer in a television documentary. Uli himself enjoys an Indian summer as a cafe regular with the other actors, and even takes a fancy to one of the actresses. It's a cheerful celebration of theatre, all in all, seen from a Dutch perspective, and with an appropriately dramatic ending.

There's theatre of a sort too in one of the short stories of Maurice Leitch's entertaining collection The Hands of Cheryl Boyd - a seedy night club compere eying up the talent, both on and off stage, before going home with a mother and daughter and finding himself locked in the older woman's bedroom, unable to escape her advances. It's cleverly done, with an economy of words that is evidently one of Leitch's trademarks.


J.P. Donleavy: scurrilous mirth

His novella Chinese Whispers, admirably illustrated by Sam Hunter, is set in a Northern Irish mental hospital, with an agreeable group of loonies playing the whispers game under the supervision of their minder, Kenny. Into this cuckoo's nest comes Gavin, an upperclass sort of chap, who is famous for having stabbed a girl to death.

Gavin dominates the working-class Kenny and turns the other inmates against him- until, that is, they all go into the woods for a splendid little outing of which Evelyn Waugh's Mr Loveday would undoubtedly have approved.

Nicholas Best

Penalties of success

MARGARET MITCHELL'S GONE WITH THE WIND LETTERS
edited by Richard Harwell. Sidgwick & Jackson. £13.95, 480 pages

"I DIDN'T know an author's life was like this," is the plaintive chorus of these letters written by Margaret Mitchell following the publication on July 1, 1936 of her famous novel.

"I'm sure Scarlett O'Hara never struggled harder to get out of Atlanta or suffered more during her seige of Atlanta than I have suffered during the seige that has been on since publication day," she wrote on July 7.

At one time tea-party fans had tried to tear her clothing off for souvenirs. On July 23 she reluctantly postponed a trip to New York to "see some shows and call on old friends" until she was off the best-seller list- which she hoped would be by Christmas. She was a prisoner in her own home.

Between the phenomenal success of the book- $515,241.96 earned in the first 11 months- and the furore surrounding the casting of the film- it took nothing less than America's entry into world war two to take the pressure off Margaret Mitchell and enable her to lead a normal life again.

GWTW, as it is referred to in the letters, has sold over 28m copies worldwide. It is difficult even in these days of mega-hype, to imagine an author reacting to an invasion of privacy on this scale with the exquisite courtesy and patience shown by this one.

All reviewers- many of whom compared her book to War and Peace and Vanity Fair- received long thank-you letters. Accusations of historical inaccuracies were refuted line by line with detailed references to learned works on the Civil War and primary sources.

From very early on Mitchell decided not to autograph any copies as that task alone was threatening to occupy her whole day. But every time a charity or a distinguished admirer made a polite request for an autograph, a detailed and individually written apologetic letter was sent off. The age of the word-processor will never produce a volume of letters like these.

The first three years, until the film was released, were the worst. But even though frequently "harrassed" Margaret Mitchell was a lively and generous correspondent to her close friends. She reveals herself as an exceptionally nice person - kind and considerate - with impeccable old-fashioned manners. She was known as a good conversationalist, and in the more relaxed letters she displays a mastery of the humorous anecdote.

Others show how much her knowledge of the Civil War came from her own family's obsessive interst in "re-fighting the battles" and from old-timers and aged veterans of the conflict that she had tracked down and interviewed in her youth.

The males in the family were lawyers, and the legal bent in her mind is evident in her dealings with the David O. Sleznick organisation, and Hollywood. Having sold the film rights (for an undisclosed sum) she refused to have anything further to do with the project publicly, for fear that the people of Atlanta would blame her for inaccuracies.

One of her most cutting letters- a masterpece of acid politeness- accuses Selznick of allowing his publicity machine to distort her off-the-record comments for promotional reasons, and threatens that, if this continues, she will withdraw her "co-operation" with the film project and publicly condemn it. For in spite of her alleged neutrality, Mitchell exerted enormous behind-the- scenes influence on the production in order to ensure the greatest possible degree of authenticity in such matters as accents, architecture and costumes.

"The Atlanta midget," as one reporter dubbed her (she was barely five feet tall) managed, in an exercise of astounding diplomacy to quash most of the grosser excesses and anachronisms proposed for the movie without ever giving up her public stand of "neutrality. "Her reward was the film's rapturous reception by the people of Atlanta, the only people whose opinion she really cared about.

Alannah Hopkin

Stricken man of courage speaks out

THE BODY SILENT
by Robert F. Murphy. Phoenix House/J.M. Dent. £10.95, 158pages

FIFTEEN YEARS ago Robert Murphy, a professor of anthropology at New York's Columbia University, noticed a peculiar and persistent muscle spasm in his anus. A shot of Novocain, injected into the sphincter, quelled the sympton for a day or two, but when the drug wore off the spasm returned. Worse, it was soon joined by another spasm in the abdomen.

Tests eventually revealed an extended spinal tumour, and there was not a lot that could be done about it. By 1978 Murphy had lost the use of his lower limbs and was confined to a wheelchair. By 1986 he had become a full quadriplegiac. The only parts that still functioned well were the jaw and that part of the brain we call the mind.

Out of this appalling misfortune, and with the aid of a word-processor, Murphy has summoned a book of great power and exceptional scope. The Body Silent tells, as it must tell, of Murphy's own ordeal: the slow descent into paralysis, the effects of this on his self-esteem, his behaviour, his career, his colleagues and on his family. But it also confronts disability as a thing in itself, and as a legitimate pretext for the continuation of Murphy the social anthropologist.

Murphy's wheelchair, a vast impediment, becomes a centre for further fieldwork. His life changes dramatically, obscenely, but his purpose remains consistant with what went before:

to relate to the general public, and to disabled people everywhere, the social circumstances of the physically impaired and the meaning of this condition as an allegory to all life in society.

Quadriplegia, Murphy tells us, is "a disease of social relations no less real than the paralysis of the body". The traumatic transformation of his identity begins at the hospital, a largely bureaucratic institution where "patients with interesting diseases...are much like eyewitnesses to crimes". Step by step Murphy is led toward an unenviable re-evaluation of his identity. Pressure to merge the victim of a wildcard illness with the unseen aggressor is overwhelming. Shame is ruthlessly channeled into guilt. Back in the outside world Murphy finds he has become an untouchable. In the street mothers urge their children not to look.

The real felon of course is American culture, which is also, in great measure, everybody else's culture. The absurd ennoblement of the body beautiful and such heroic archetypes as Superman and Rambo combine to outlaw the longterm sick. The good American is the autonomous American.

In the best dissenting tradition of liberal studies Murphy assembles a devastating portrait of a pathologically uncaring society. Drawing widley on anthropological and sociological sources the result is a kind of Zen And The Art of Motorcycle Maintenance for the permanently sick. Murphy's conclusion however is weighted differently. "As with all other social roles," he writes, "a person can succeed or fail at sickness".

What he urges is greater solidarity among the disabled, so that they too can achieve autonomy. Given that medical science is likely to increase rather than the decrease the percentage numbers of the disabled living in our midst, this strategy probably is more appropriate than would be, say, retreat to a Buddhist monastery.

Justin Wintle

Legal ways to power

THE RISE OF THE BARRISTER: A SOCIAL HISTORY OF THE ENGLISH BAR 1590-1640
by W.R.Prest. Oxford. £35.00, 442 pages

IT IS probable that, of all the professions, that of the law is most of a closed book to the layman. Mr Prest does his best to open it, in a solid and reliable academic way, during the period in the late 16th and 17th centuries when the profession came to the fore as such, established its recognisable shape and organisations- a kind of golden age. Even a layman recognises such luminaries as Bacon, Attorney General Coke, and Lord Chancellor Ellesmere.

During this time, from the Elizabethan age to the Civil War there was "a massive expansion of litigation," we learn "when the business of the two major central courts appears to have more than trebled." Well over 2,000 barristers were called between 1590 and 1640; as someone said succinctly "litigation breeds lawyers, and lawyers breed litigation."

The curious fact emerges that the number proportionately to the population was close to that in England today. We may take that as witness to the stable utility, indeed the necessity, of the profession in society. And of course it reflects the character of the society. Why this remarkable expansion then? The short answer is the expansion of society, increasing population and complexity, with the sucess story of the Elizabethan era.

Religion too. Mr Prest corroborates the traditional view of the dominantly Puritan and Parliamentarian colouring of the bar, with such a significant figure as Sir Edward Coke. Or there is the pure Puritan, Yelverton, who paid James I £4,000 for the Attorney Generalship. Before that he had offered Robert Cecil £1000 "thankfully, secretly and willingly," for a job which he did not get.

We learn a great deal more about the successful but horrid lawyer Sherfield who broke the stained glass window in St Thomas's, Salisbury, and got his comeuppance from Archbishop Laud, quite rightly.

Those of us who go about the old country with our eyes open can still see evidences of the families whose fortunes were made by the law. Take Norfolk; at the time people said "Norfolk wiles many a man beguiles." We have those palaces of Holkham and Blickling to show: Holkham founded on Coke's fortune- altogether he collected some 56 manors- and Blickling on Lord Chief Justice Hobart's.

Lovely Kingston Lacey in Dorset goes back to Chief Justice Bankes, who had bought Corfe Castle, ruined in the destructive Civil War. Or think of the vast estates (and archives) accumulated by Lord Chancellor Ellesmere. Several Devon and Staffordshire families notably owe their rise to success at law in this period.

Success was not solely due to legal acumen: lawyers were at an advantage in property transactions.

A.L. Rowse

• ARTS •

As the RSC ends a triumphant season at Stratford, Michael Coveney reports

Cymbeline exposes buried treasures

Whatever the bad news of attendance figures at the Royal Shakespeare Company's London base - a slump of 44.8 per cent in Barbican ticket sales for 1986/7 and an accumulated deficit of over one million pounds were announced this week - the quality of work in Stratford-upon-Avon is indisputable.

Last weekend I reported enthusiastically on the RSC's Nat West tour. It showed a company in restless, creative mood, with an eye on the future and a finger on the pulse. My optimism has been compounded this week in Stratford, where *Cymbeline* opened in The Other Place on Thursday night and brought the 1987 Avonside season, one of the best in some years, to a triumphant conclusion.

Even the RSC shies away from this play, rarely risking it on the large stage. Bill Alexander's response is to press the intimacy of The Other Place to narrative service. The play is given uncut to an audience that remained, I swear, literally spellbound for three and a half hours. It begins in a fury of rage and splutter as Cymbeline, King of Britain, forbids his daughter Imogen's love for Posthumus, and the preferred suitor, Cloten, her half-brother, explodes in derring will-do.

Banishment and bad odour emanate from Cymbeline's wicked Queen, played by Julie Legrand as a fairytale baddie with a box of poisons and conical piled-up hair. Iachimo's false report of Imogen's inconstancy is issued with a silkily pestilential vigour by Donald Sumpter, whose controlled nastiness prospers in the close conditions.

In banishment, Harriet Walter's expressive heroine meets valour and hospitality among the cavemen of Milford Haven. I am only surprised she did not also discover the RSC on tour there. More people say they are going to Milford in this play than ever set out for Widdicombe Fair.

Cymbeline is a primal, experimental great play with elements of tragedy, romance and historical legend. The Queen has let slip the national levy to Rome (Cymbeline's uncle was charged with the debt by Julius Caesar himself). A nation's identity in colonialism is examined in the fractious defiance of Cloten, an anti-marketeer of the day - "Britain is a world in itself. We will nothing pay for wearing our own noses" - and in the sense of isolationism under an almost welcome European threat.

It is a play, too, of obsequies and ritual, from the masque-like theophany of Jupiter's address to the sleeping, captive Posthumus, to the dazzling poetry of burial and farewell ("Fear no more the heat o' the sun"). Knowledge is given only to those properly awake, and the tumultuous revelations of the last act, which must have encouraged Ben Jonson in his *New Inn* construction, are both hilarious and touching. They are really to do with the acquisition of awareness and humility through experience.

I scrape the surface in this manner in order to imply more buried riches. Mr Alexander places the audience in a semi-circular expectation of hearing a wonderful story. The actors work through the building, now sitting on spare seats among us, now chanting the marches or anthems of Ilona Sekacz's barbarically atmospheric soundscore, plucking the insides of pianos, rattling thunder sheets, grazing tubular bells.

Intimacy proves not inimical to major performances. Nicholas Farrell has progressed this season from a shaky Mark Antony through the insatiable Lussurioso to an impassioned, athletic Posthumus. David Bradley is a delightfully acquiescent King after his early brainstorm, a comic Lear almost, and Bruce Alexander tops his Tranio with a scintillating, ludicrously hubristic stand-up Cloten.

Next year, Adrian Noble will be in charge of the Stratford season. The experiment of inviting outside directors - Jonathan Miller and Nicholas Hytner - has been a success and is good for the company. John Caird's Ben Jonson adventure must be resumed - are we to have *Sejanus* or *Epicoene*, or another totally glorious surprise like *The New Inn*?

And I hope talent from the tour will be fed back into the Stratford troupe - director Roger Michell, bolstering actresses (much needed) like Maggie Steed and Tessa Peake-Jones.

Stratford 1987 will also be remembered for the middle-weight acting contest between the Celtic bruiser, Brian Cox, and the Cape Town killer, Antony Sher; the first for his studies of monumentalist emotion (especially Titus), the second for a trio of brilliant alien transformations (Shylock, Malvolio and Vindice).

This has been a splendid Stratford year, and this fine November climax has seen the unexpected restoration of two great plays - *Cymbeline* and *The New Inn* - and an intelligently absorbing revival of *Measure For Measure*, the RSC's favourite 20th century Shakespearian text.

Alastair Muir

Harriet Walter and Nicholas Farrell

Lulu sings Peter Pan

When the very first critic wrote the very first bad review his barbed words flew round the world until each one was embedded in the heart of a financial backer. Ever since then when a critic says "I don't like it" a backer falls down with dyspepsia.

When J. M. Barrie wrote *Peter Pan* he dreamt that it would be translated into many tongues, filmed and made into a Disney full-length cartoon. He knew its earnings would help Great Ormond Street Hospital for Sick Children, though surely not as its main source of income, as the souvenir brochure asserts, even in the days of villainous Captain Thatcher. He might even have envisaged the Broadway musical for Mary Martin by Carolyn Leigh and Moose Charlap (he twinkled over that name, you can be sure) which with additional material by Broadway stalwarts Green, Comden and Styne, was first seen in London in 1985 and is now at the refurbished Art Deco Cambridge Theatre in Seven Dials.

Two years ago Bonnie Langford proved a fine trouper as Peter while Joss Ackland was an outrageously florid Captain Hook. (Every time a serious actor puts spangles on his eyes camp is born.) The latest production from Plymouth's Theatre Royal boasts Lulu as the eternal pre-pubescent. Glasgow's greatest gift to music since Eugen d'Albert lacks the vitality of her predecessor; her singing voice is thickened and muffled by a sound system that booms out even the spoken dialogue. Ebulliently belted-out numbers like "I won't grow up" need more than the mechanical, minimal expression they receive here. A noisy bustle ensues. George Cole's Darling/Hook double is amiable - the musical, as opposed to the original play, demands little more. Again, one misses the sinister spiciness that Hook's songs (tango, tarantella and waltz respectively) can exude when sung with proper point and zest.

John Newman's production falls flat between sophisticated West End musical and children's Christmas show. The many very young spectators on the first night buzzed and chattered, enjoying much of the show but patently lost with some of the two and three-quarter hours. (Every time a three-year-old is seated in the stalls an adult playgoer commits murder in his heart.)

The show deserves better, though the charm of the wistful "Neverland", a genuinely haunting hit, comes over well enough. A pantomime Nana, obviously a human in a toy disguise, and an ostrich with embarrassingly evident padded calves sum up the slightly coarse-grained approach. Tinker Bell is a suggestive red light, but her silvery chimes are enchanting. Unobjectionable Christmas fare. (Every time a ticket is sold, a little critic drops dead.)

Martin Hoyle

Beatriz Rodriguez in "Le Sacre du Printemps"

David Vaughan reports on a reconstructed Nijinsky ballet

'Sacre' lives

The Joffrey Ballet, during its autumn season at the City Center Theater, has presented programmes of ballets by Frederick Ashton, by American choreographers, and from the repertory of Diaghilev's Ballets Russes. The latter consisted of Leonide Massine's *Parade* and two ballets by Vaslav Nijinsky, *L'Apres-midi d'un faune* and *Le Sacre du printemps*.

All of these were greeted by something approaching a riot at their first performances in, respectively, 1917, 1912, and 1913. *Parade* was revived for the Joffrey in 1973 by its choreographer, *Faune* had a continuous performance history until the mid-forties and was then reconstructed. But *Sacre* was performed only eight or nine times in the year of its creation, in Paris and London, and then dropped. Nijinsky was dismissed by Diaghilev soon afterwards, following his marriage.

The American dance historian, Millicent Hodson, first undertook the task of reconstituting the choreography of the *Sacre* eight years ago. She painstakingly collated and synthesized, measure by measure, information gleaned from every possible source, finally arriving at the closest thing possible to a complete choreographic score. These sources included Stravinsky's notes on the piano score: reminiscences by dancers who had worked on the ballet, especially Nijinsky's sister, Bronislava Nijinska (on whom he created the leading role) and Lydia Sokolova: contemporary reviews: the three or four photographs known to exist: and seventy drawings made at performances by Valentine Gross. No choreographic notation by Nijinsky himself has come to light, though thought to exist somewhere. However, the crucial discovery that finally made the work's production possible was that of the piano score with notations by Marie Rambert, who served as Nijinsky's rehearsal assistant, made soon after the ballet's creation.

Robert Joffrey willingly agreed that his company should present the ballet. An essential collaborator was British art historian Kenneth Archer, an authority on the work of the designer of the original production, Nicholas Roerich: he supervised the recreation of the sets and costumes.

How authentic the result is is anybody's guess. Hodson freely admits that she had to supply some traditional passages, but what is more to the point is how well this version works on the stage.

There are some surprises. For one thing, the stage picture is much more colourful than one had expected. Reproductions of Roerich's designs are in black and white - the original backcloths do *not* exist, though many of the costumes survive. The stage glows with colour - green hillside, blue sky, women in bright red smocks. The ballet is subtitled *Pictures of Pagan Russia*, and this version emphasises this with its games, dances and rituals.

Nijinsky (as realised by Hodson) did not feel the compulsion evinced by some other choreographers who have tackled the score to be continuously inventive. The vocabulary is severely limited, and repetitiously employed (some contemporary critics complained about this). The idiom is radically anti-balletic: toes turned in, torsos hunched over, heads skewed to one side, the whole body often trembling from head to foot. This *Sacre* confirms the often-made assertion that Nijinsky's first three ballets signal the advent of modernism in dance. In comparison, Fokine's work for Diaghilev must seem retardataire.

One puzzle remains. The final *danse sacrale* seems oddly anti-climactic, maybe because the Chosen Maiden's jumps are nearly all vertical, reaching toward the sun, interspersed with a lunging turn into profile. Both Beatriz Rodriguez and Carole Valleskey perform the role with exemplary conviction and concentration. Everything that scholarship, supported by the dancers' dedication, can do, has been done.

It is no reproach to Hodson and Archer to say that what is ultimately missing is the touch of Nijinsky's genius, so movingly present in the *Faune*. But they have given us a fully convincing impression of his *Sacre*, and even conveyed to us something of its profound spirituality.

Farewell to Abbado

Thursday evening's London Symphony Orchestra concert at the Barbican - Ravel's *Alborada del gracioso* and Piano Concerto for the left hand, and Prokofiev's *Alexander Nevsky* - was happily typical of the programmes in which Claudio Abbado has continued to excel with the orchestra of which he has been Music Director since 1983. It was Abbado's last appearance in that position; he leaves London musical life to concentrate his activities in Vienna, where he became Music Director of the State Opera last year.

By almost anybody's reckoning Abbado belongs in the top handful of conductors practising their craft today, and on that basis alone his departure from what still likes to proclaim itself the musical capital of the world is much to be regretted. If any one still doubts the urgent need for the reform of London's orchestral organisation then the fact that his departure leaves the London orchestras untenanted by any conductors of genuine world stature ought to provide a salutary lesson. Whether, though, Abbado's presence has brought about a lasting change in either the LSO, or in the way in which we conceive our symphony concerts is much more doubtful.

There's no doubt that Abbado took over the LSO job with high ambitions to leave a permanent imprint upon London's musical life in much the same way that Pierre Boulez arrived at the BBC a decade earlier; Abbado lacks Boulez's fierce and uncompromising missionary zeal; his musical sympathies - and his musical tolerance perhaps - are much broader and pragmatic. But as some of his major projects with the orchestra have shown, he has been keen to reform programme building, and to exploit the opportunities offered by the LSO's new home at the Barbican for producing coherent, subscription-based concert series.

The main fruiting of that ambition was the "Mahler, Vienna and the 20th Century" Festival in 1985, which remains possibly the most valuable and thoughtful concert series put together by an orchestra in this country for many years. That epitomised the mix towards which Abbado was aiming, in which the standard repertory was placed alongside contemporary music and the whole package given a historical and cultural feel. It worked magnificently once, but Abbado has not been able to repeat the trick, lacking either the resources or the inclination to do so. His more recent appearances with the orchestra - with certain memorable exceptions such as the withering Mahler 9 he conducted at the beginning of this year - have fallen back into routine compilations.

It's easy to blame his gradual disenchantment upon the LSO itself, which of all the major London orchestras seems at present the one least capable of renewing itself and moving forward. Under the Abbado regime orchestral standards have signally failed to rise; while the LSO has never played less than efficiently for its Music Director, and on some occasions quite magnificently, its appearances under other, perhaps less glamorous conductors, have been sometimes lamentable. It would be wrong to single out the LSO - its malaise is merely another manifestation of the general condition of the London orchestras - but perhaps because it did manage to attract here a conductor of genuine stature so much more was expected of the partnership, and the unevenness of the result was correspondingly more disappointing.

Thursday's concert could almost have been designed to encapsulate that variability, coupling one performance of unqualified magnificence with a first half of uncommitted efficiency. Ravel is one of Abbado's specialities; he brings to it a tension and textural imagination of a very high order. *Alborada* bristles with possibilities for that kind of realisation, but they could be glimpsed partially here, blurred by a lack of incisiveness

Claudio Abbado:leaving the LSO

in some of the solo playing and an overall lack of clarity. Similarly in the Left-Hand Concerto, with the soloist Michel Beroff - a late replacement for Alexis Weissenberg - the lack of the lustre in the piano playing dulled many of the more striking orchestral sonorities too, so that the sheer force and originality of the piece failed to register.

Yet almost all was redeemed by the account of *Alexander Nevsky*. Scene painting on that level of intensity incites Abbado to his very best efforts, and here his ability to control and manipulate complex textures with maximum virtuosity - most consummately in "The battle on the ice" but also in the shuddering chords with which the work opens and the frozen austerity of the accompaniment to "The field of the dead" (sung with plausible rich darkness by Lucia Valentini-Terrani). The London Symphony Chorus attacked its contributions with great ferocity, and the orchestral playing was immaculately vivid, so that the tone of celebration was surely struck at least in the final phases of the evening.

Andrew Clements

Spoken Word

Traditional tales

"It was the best of times, it was the worst of times..." A Dickens story for winter listening is traditional, and Cover to Cover Cassettes' unabridged *Tale of Two Cities* (CC037) tops the list this year. On 11 cassettes, listening time 14½ hours, Richard Pasco's glorious reading warms the heart.

From full-length to abridged: among the new issues in their usual 2-cassette sets, Listen for Pleasure offer John Mortimer's contemporary saga, *Paradise Postponed* (LFP 7276), elegantly and sympathetically read by Sir Michael Horden;and Clive James reading from his own *Unreliable Memoirs* (LFP 7304) covering the period from infancy to his arrival in England in 1962. This is vintage James, hilariously funny and quite astonishingly rude about what seems to have been a strenuous puberty. From LFP's recent back-list I have also enjoyed two issues, both by Paul Brickhill: *Reach for the Sky* (LFP 7146), the story of Douglas Bader, who lost both legs in an air accident in 1931 but fought his way back to become one of the heroes of the Battle of Britain; and *The Dam Busters* (LFP 7091) about how Barnes Wallis came to invent the revolutionary "bouncing bomb" and how it destroyed the Mohne and Eider dams in May 1943. Both are beautifully read by Tony Britton and Richard Todd respectively.

From Argo, also in abridged 2-cassette form, comes H.G. Wells's *History of Mr Polly* (SAY Series 418 159-4) read with affectionate irony and good humour by Peter Jeffrey. Also from Argo there are two vastly entertaining novels from the mid eighteenth century (abridged on 2 cassettes), both set in the same teeming world of high life and low life - of country houses, inns and precarious travel - but with different points of view. Oliver Goldsmith's gentle and endearing *Vicar of Wakefield*, read by Derek Jacobi (SAY Series 418 174-4) takes the innocent rural view, while Henry Fielding's *Joseph Andrews* (SAY Series 418 162-4) takes the urban view despite a country setting, and is a rollicking parody of Samuel Richardson's *Pamela*. Daniel Massey's reading presents a marvellous gallery of grotesques.

Another new venture is a list of classic novels recorded under the name of Eloquent Reels, each title occupying 4 cassettes and giving over 6 hours of listening. These abridged versions, all with good readers, fill the gap between the full-length stories and the much-abridged 2-cassette sets. Peter Emmens reads *Great Expectations* and *The Hound of the Baskervilles*; Richard Baker reads *Far From the Madding Crowd*, Andrew Sachs reads *Wuthering Heights* and Hilary Chadwick reads *Jane Eyre*.

From Chanticleer comes a single cassette recorded from Rob Inglis's distinguished one-man show, *The Hobbit*, pulling us into the volatile and menacing mythological world created by Prof. J.R.R. Tolkien in his book of the same name published just 50 years ago.

For children, Puffin Books and Cover to Cover Cassettes have just launched an excellent new series of unabridged stories on one or 2 cassettes, with first-rate readers. It includes *The Complete Adventures of Peter Rabbit* (1 cassette) read by Rosemary Leach (with music specially composed by Carl Davis) which has all four Beatrix Potter stories that Peter appears in: *The Dead Letter Box* by Jan Mark read by Maggie Marshall (1 cassette) for 9-plus, especially girls; for all animal-lovers from the age of about 10, there is Nina Warner Hooke's beautifully observed and unsentimental Christmas story of the abandoned *Snow Kitten* and its search for a home, read by Edward de Souza (2 cassettes).

Mary Postgate

Radio

Caught in the draught of War

Remembrance Day brings the BBC out at its most martial, and not for the one day only. Even Radio 3 goes along; they repeated a poetry sequence on Saturday, Marilyn Bowering's *Grandfather Was A Soldier*, and on Sunday gave a fine concert of warlike music and readings from war poets, under the title *They Went with Songs into Battle*, with a message of pity for wives and children as well as for fighting men. On Radio 2 we heard the Festival of the Royal British Legion from the Albert Hall on Saturday, and on Sunday Radio 4 broadcast the service from the Cenotaph.

Following the warlike trail, Radio 4 gave us on Wednesday the first half of a two-part feature on Field-Marshal Montgomery, *Monty - Portrait of a Soldier*, assembled by Frank Gillard to mark the centenary of the Field-Marshal's birth. Gillard was the BBC correspondent who stayed on Montgomery's heels from Alamein onward. The programme consisted mostly of a slim outline of operations with, wherever possible, a brief quotation from others involved. Churchill (spoken by Timothy West) was persuaded to write something in Montgomery's autograph book each time they met. There were the other generals; Freyburg told the new Army Commander that he should be "a nice chap;" but Montgomery was more concerned with his impact on the men, "a great citizen army, totally, totally different," and went about making speeches and distributing V cigarettes.

We heard from Miles Graham before Alamein and Horrocks after, and Westphal from the other side. We followed the 8th Army to Tripoli and into Italy (with no mention of Sicily); but by now we were watching from a higher level, with such questions as whether British commanders should command American armies. There were Montgomery and his ADC Johnnie Henderson on D Day, beginning what became for a while the subsequent "war of attrition." At the Rhine crossing, a BBC correspondent (not Frank Gillard, I hope) said, "Forward all, on wings of flame," and confirmed in my mind that the prospect of radio war correspondents is as great a deterrent to some of us as nuclear armaments. Aimed at established hero-worshippers, the programme seemed to me far too superficial; but I must wait for Part Two next Wednesday.

Among the lower ranks, we had *Charlie* (Radio 4, Sunday), compiled from a 1915-16 soldier's letters to his girl. What he has to tell her is of his deep friendship with another soldier. Anyone who served in the forces in dodgy circumstances will recognise such an affection and, I hope, sympathise; it may have sexual overtones, it may not. (Frank and Charlie kissed each other once at least.) But Frank's letters about Charlie embarrassed me, I'm afraid. One shouldn't tell about such feelings. Then on Tuesday, Radio 2 gave us *Caught in the Draft*, where popular radio figures talked about their national service. I was in the Army nearly 10 years, and the Territorials before that, but no one wants to hear me on my "joys and terrors, humour and discomfort." The poor sods didn't have anyone to go to if they were bullied in those days, either.

Frank Gillard, when he had finished being a war correspondent, was one of the early initiators of BBC local radio, which marked the 20th anniversary of its birth at Leicester last Sunday. BBC Local Radio Services have produced two interesting half-hours on the subject. They will be heard on local radio at various times; one I know of is Radio WM (West Midlands), where both programmes were scheduled for last Monday. Among the graduates of the local radio school are Kate Adie and Michael Buerk. Where are they now? On television, of course.

Up the Garden Path, by Sue Limb, is a kind of ultra-lightweight soup. Izzy is in love with married Michael. Michael is always making dates and excuses, in that order, and Izzy makes arrangements and corrections to suit him, yet never manages a meeting. When I tell you that Izzy's surname is Comyn (pronounced Cummin), you may gauge the depth of the comedy.

B.A.Young

Chess No 697.

1 B-QN5 (threat 2 Q-K8-K1), BxQ; 2 B-B1 and 3P-N3, or if BxB; 2 -B6 and 3P-N3. A trap is 1Q-K8? R-N2; 2 B-N5, B-R2!

Soccer/Philip Coggan

Bobby Robson's stock revalued

SOCCER SUPPORTERS must now feel as confused as stock market investors. After September's defeat by West Germany England's footballers were being dismissed as a bunch of no-hopers but are now back on top of the world, or at least of Europe.

Those who lamented the lack of skill and class displayed by clod-hopping Anglo-Saxons compared with the flair of the French, the guile of the Germans and the dash of the Danes are now talking of victory in the European Championship, for which England qualified by Wednesday's four-one defeat of Yugoslavia.

The truth, as in the stock market, is obscured by over-reaction, for it is easier to take an extreme opinion than to construct a balanced view, with all its qualifications and hedges. Apparently, our footballers have been rapidly transformed from cretins into creative geniuses.

The same thing happened in last year's World Cup. After two abysmal performances against Portugal and Morocco, England showed pace and fluency in victories over Poland and Paraguay, causing some to dream of tournament victory, before the Hand of God and the feet of Maradona intervened.

It seems undoubtedly true that England are a lot stronger than they were a few years ago. The team which beat Yugoslavia on Wednesday, if not the same eleven which did so well in the World Cup, plays largely on the same pattern - relying on pace and width rather than the traditional long ball to the big, burly striker.

No-one watching Beardsley, Barnes, Robson or Hoddle can possibly believe that English players are in some way innately less skilful than their Continental counterparts. Indeed, one can see players showing great ball control and passing ability in a local park.

What separates the class player from the rest is the ability to display that skill and vision at the greater pace of the professional game - just as in cricket flashing cover drives and square cuts are rather easier to achieve in the nets than when facing Malcolm Marshall.

A few moments of skill are worth many hours of managers' cliches on the subject of 110 per cent commitment and denying opponents space. For example, spectators had to sit through much hustling and bustling for two such moments in the recent Everton-Liverpool league match: the through balls from John Barnes, one with the outside of the boot, one a back heel, that set up Liverpool's goals.

Bobby Robson: as close as he can be to creating an ideal team

Barnes, maddeningly inconsistent in the past, has benefited this season from playing in a Liverpool team which has occasionally looked invincible. He and the other imported stars - Beardsley and Aldridge - seem to have enhanced, rather then damaged, the smooth running of the team machine. Indeed, if Liverpool can maintain their current standard of play throughout the season, they could lay claim to being one of the finest teams in football's history.

The club's continuity of management, passed through the dynasty of Shankly to Paisley to Fagan, has obviously helped. And the newest incumbent, Kenny Dalglish, has already amply demonstrated that a football manager does not need to be garrulous to be shrewd.

England can learn lessons from Liverpool's success. Continuity is obviously important - if it takes time for club sides to learn to play as a disciplined unit it obviously takes much longer for a national side which meets so infrequently.

That implies two things. First, that the manager allows players a decent run in the team so that they can learn the playing pattern and can be accepted by their colleagues. Sticking by players is a brave thing to do. If a game is lost, then the pressure on the manager to change the team is immense.

Nevertheless, England's greatest run of success in the modern era was under Sir Alf Ramsey, who saw continuity as vitally important. Players like Banks, Moore, Peters, Hurst, and Charlton were virtually automatic choices for the side. In the end, Sir Alf was sacked because he kept some of those players in the team for too long but, by then, he had won one World Cup and reached the quarter-finals of another.

The second requirement for continuity is that players keep fit. To that end, last Saturday's postponement of all games involving English players was a welcome development. Now that English club sides are banned from Europe, the game needs the national side to be successful. It seems a dreadful pity that the Welsh side was denied the same privilege by the Football League.

Bobby Robson seems to be as close as one could possibly hope to creating the best national team out of the existing crop of players, although there seems something wrong about a starting line-up that lacks Glenn Hoddle. Nevertheless, I am doubtful about England's chances of winning the European championship, despite the current euphoria. It is fortunate that the seeding will prevent England from meeting West Germany in the early rounds.

One should not be too churlish, however, in Mr Robson's hour of success. This England team might not win every game but it is playing much more attractive football than its recent predecessors.

Football, alas, never loses the chance to throw the murky in with the magical. At Liverpool's recent cup match with Everton, a section of Everton's supporters chanted racist taunts at John Barnes. It seems that skill stands little chance of overcoming bigotry.

In Scotland, the problem of football violence has taken a bizarre turn with the arrest of four players on charges of inciting a breach of the peace. Ironically, it is Glasgow Rangers, where ex-Liverpool player Graeme Souness is attempting to build an Anfield-style superteam, which is at the centre of the controversy.

Souness has already been much criticised for his uncompromising style as player-manager which has led to him being sent off several times. Indeed the story is that, in Glasgow, a Souness is now a euphemism for a quick drink - as in "a swift half and then I'm off".

Mr Souness may be a hard man but his long-term strategy is sound. The few clubs that possess devoted crowds have an oppportunity to create a virtuous circle - support brings money, money brings star players, star players bring short- term success, short-term success attracts the best young players, young players bring long-term success, long-term success reinforces support - and so on.

Scotland's victory in Bulgaria, which gave the Republic of Ireland its ticket to the European championship finals, indicates that the Scottish national side may be benefiting at last from the recovery in its club football. It may well be that, to paraphrase an old American phrase, "what's good for Glasgow Rangers is good for the country".

Tennis/John Barrett

Who is the best woman player? The final tournament could provide an answer

NEXT WEEK in New York the first punches will be thrown in the season-ending festival known officially as the Virginia Slims Championships. This $1m showbiz spectacular, the climactic event of the $15m Virginia Slims World Series embracing 59 tournaments in 19 countries, will set the fans shrieking in Madison Square Garden.

The tournament this year, besides making a lot of rich young ladies richer still, may also resolve the question uppermost in the minds of all followers of the women's game, namely, "Who is the best player in the world?"

In the red corner is 31-year-old Martina Navratilova, the official world champion for the past four years. Martina is a Czech by birth but an American by temperament and, since July 1981, an American by adoption. Over the past decade her left-handed, attacking game has raised the level of women's tennis to new heights. Her training methods and attention to dietary detail have set the standard for others to follow.

In the blue corner is Steffi Graf, the 18-year-old West German who has made a precocious and relentless advance this year. This extraordinary young lady with the explosive groundstrokes has won no fewer than 10 tournament titles in 1987, including a first Grand Slam Championship in Paris. This impressive consistency has earned her the No.1 ranking on the computer of the Women's International Tennis Association, a position occupied continuously since 1982 by Miss Navratilova.

The moment came in Los Angeles on August 16 when Steffi beat Chris Evert for her eighth title of the year. "My father had told me before the match that it wasn't possible to become No.1 today, but afterwards he said 'Congratulations - you are No.1.' It feels great. I can't stop smiling," she had said. Make a note of that date. It may be several years before anyone deposes this dedicated young queen.

What has made this such an extraordinary season is that Miss Navratilova, who between 1983 and 1986 won 54 of the 67 tournaments she entered and lost only 11 matches, has this year won only two tournaments. Admittedly, they were fairly important events - Wimbledon and the US Open to be precise. In both she beat Miss Graf to compensate for the loss to the young German in the French final.

Set for a killer punch

In the neutral corner, separating these two titans on the Virginia Slims points table, is the previous world champion, Miss Evert. Now 32, this remarkably durable athlete is actually placed ahead of Miss Navratilova by virtue of her metronomic consistency.

Without a Grand Slam singles title to her name for the first time since 1974, Miss Evert has nevertheless continued to amass points and has also earned the admiration of those who old-fashioned enough to appreciate class and style - and I'm not referring to stroke technique.

Yet the title of World Champion already belongs to Miss Graf. Unlike with the men there is no panel of former champions to confer it. Since 1983 the winner of the Virginia Slims points race has automatically been awarded the accolade - a clever commercial advantage negotiated by Philip Morris from the Women's International Professional Tennis Council as part of the terms for their return to overall sponsorship of the circuit. It is already mathematically certain that Miss Graf cannot now be caught, whatever the outcome of the tournament in Chicago this week, or the championships themselves for which points are also awarded.

Yet to the public the outcome will decide the matter, morally at least. It will be a major surprise if Steffi and Martina do not emerge to face each other in the final which, for the fifth year in a row, will be decided over five sets. For the first time there is the real possibility that it will go the full distance, where Martina's superior strength might prove decisive.

The draw has been kind to Martina. With seedings following the WITA rankings, the holder is in the No. 2 spot at the bottom of the draw with talented Argentinian teenager Gabriela Sabatini, seeded six, as her likely quarter-final opponent and the rejuvenated Pam Shriver, No. 4 seed, scheduled to appear against her a round later.

In the top half Miss Graf has been dealt both Miss Evert and the dangerously unpredictable Hana Mandlikova, seeded five. Since winning the Australian Open quite brilliantly from Miss Navratilova last January the frustratingly erratic Czech No. 1 has failed to live up to her potential. However, on any given day she can still beat anyone.

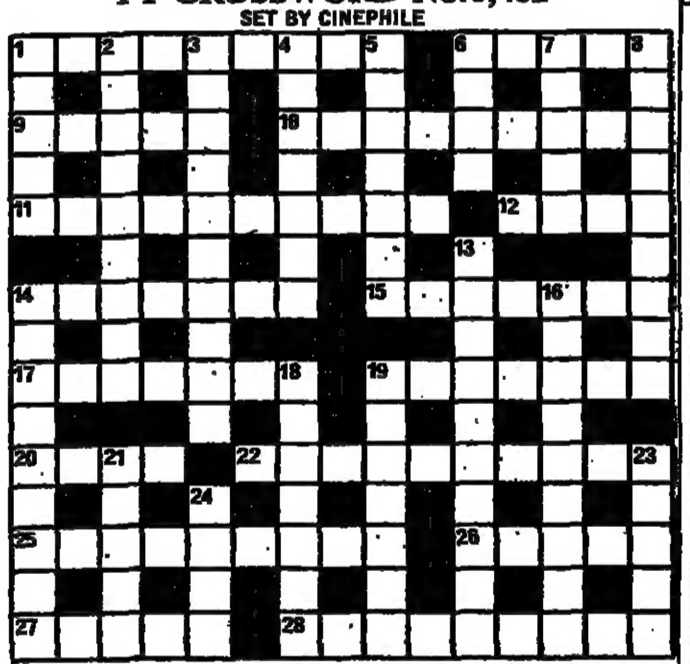
Whatever the outcome the real winner will be womens' professional tennis. When you remember that it all began with a handful of players signing token contracts for $1 back in 1971 as a protest at the inferior prize money being offered at the Los Angeles tournament that year, the women have come a long way. Few believed they would succeed in creating an independent circuit but thanks to some dedicated leadership and some loyal sponsors, they have proved us wrong.

As the New York fans will discover, today's young athletes pack a pretty hefty punch. By the time we reach the final the two survivors will have landed some killing blows. It will not surprise me if the umpire, instead of calling "Players ready? Play," announces "Seconds out of the ring. Time."

First round matches, in draw order (seeded players in brackets): Steffi Graf (GER, 1) v Zina Garrison (US); Lori McNeil (USA) v Helena Sukova (CZ, 7); Chris Evert (USA, 3) v Sylvia Hanika (GER); Raffaela Reggi (IT) v Hana Mandlikova (CZ, 5); Manuela Maleeva (BUL, 8) v Claudia Kohde-Kilsch (GER); Katerina Maleeva (BUL) v Pam Shriver (USA, 4); Gabriela Sabatini (ARG, 6) v Bettina Bunge (GER); Caterina Lindquist (SWE) v Martina Navratilova (USA, 2).

FT CROSSWORD No.6,482

SET BY CINEPHILE



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

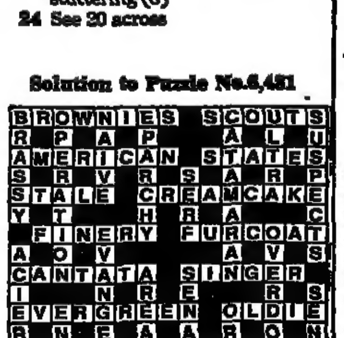
ACROSS

1 New life in an electrical unit is a long way off (3,6)
6 Pigeon poet? (5)
9 Poet of Welsh peninsula (5)
10 Mud in tree may be different from deserts (9)
11 Punt in tree may be for paint in tree (10)
12 See 6 down
14 4 Dog's finger (7)
15 Artery of a corrupt condition among detectives (7)
17 Remind revolutionary to proceed at an easy pace (3-4)
19 Doctor takes in view of enticing pendant (7)
20, 24 Family of traitor's in black velvet (8)
22 Asseverate vigorously drains blew out (5,5)
25 Sort of task for both ankles seemingly (9)
26 Black emperor holds string (5)
27 Song of triumph an ape might produce (5)
28 My trouble-and-strife, a girl made of wood with joints (5,4)

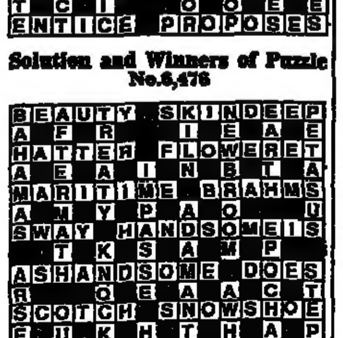
DOWN

1 Struggle to get fruit at altitude (5)
2 It's worthwhile to go eastward in circle (9)
3 Penalty for part of face - I replace article (10)
4 Hotline for the Queen, as to inside (7)
5 Old penny - rotten income - diabolical (7)
6, 12 Dish cooked in instrument causes privation (8)
7 Inflammatory wedding suit (5)
8 Mite sped off surrounded by horseman (3,6)
13 Senior politicians to face magistrates (5,5)
14 Bit of something for the night happy ending to obstruction at work (6,3)
16 Correction in addressing! (7-2)
18 Blond amphibian entertaining Western male (7)
19 Absolutely lifeless group (4,3)
21 Permission to go (5)
23 Funny nobleman turned up stuttering (5)
24 See 20 across

Solution to Puzzle No.6,481



Solution and Winners of Puzzle No.6,476



Mrs W.O. Mann, Leicester; Mrs P. Sparrow, Croydon, Surrey; Mr M. Howe-McLeod, Safat, Kuwait; Mr J.P. Marchant, Bedford; Mr J.H.G. Pearce, Milton Keynes, Bucks.

TELEVISION AND RADIO

SATURDAY

†Indicates programme in black and white

BBC1

6:20 am Roobarb. 6:25 Saturday Starts Here. 8:40 Chucklevision. 9:00 The Muppet Babies. 9:30 Going Live! 11:25 The Lord Mayor's Show. 12:12 pm Weather. 12:15 Grandstand including 12:20 Football; 12:40 Rugby League; 1:00 Racing from Cheltenham; 1:10 News; 1:15 Motor Cycling; 1:35 Racing from Cheltenham; 1:45 Tennis (the Benson and Hedges Championship semi-finals; 2:10 Racing from Cheltenham; 2:20 Tennis; 3:50 Half-time scores; 3:55 Rugby League; 4:40 Final Score. 5:05 News. 5:15 Regional programmes. 5:20 Rolf Harris Cartoon Time.

5:45 Telly Addicts. 6:15 My Family and Other Animals. 6:45 Bob's Full House. 7:20 'Allo 'Allo. 7:45 Casualty. 8:35 Just Good Friends. 9:05 News and Sport. 9:20 Cagney and Lacey. 10:05 Live International Boxing: Herol "Bomber" Graham (GB) v Ricky Stackhouse (USA). 10:55 International Tennis: the second semi-final of the Benson and Hedges Championship. 11:45 Film: "Embryo" starring Rock Hudson and Barbara Carrera.

BBC2

11:50 am Open University. 1:30 Network East. †2:10 Film: "Golddiggers of 1935" starring Dick Powell and Gloria Stewart. †3:40 Film: "Cornered" starring Dick Powell and Walter Slezak. 5:20 International Bridge Club. 5:50 Espana Viva. 6:15 This Week in the Lords. 6:55 Newsview. 7:35 L.S. Lowry. 8:15 Shostakovich: Fifth Symphony (simultaneous broadcast with Radio 3). 9:05 Fortunes of War. 10:05 The Film Club. 10:05-12:10 Film: "Senso" directed by Visconti.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 No 73. 11:00 The Roxy. 11:30 Frocks On The Box. 12:00 The Fall Guy. 1:00 pm News. 1:05 Saint & Greavsie. 1:35 Wrestling. 2:15 Comedy Classic: The Cuckoo Waltz. 2:45 Ice Skating - British Ice Dance Championships. 4:45 Results Service. 5:00 News. 5:05 Walt Disney Presents.

5:15 Blockbusters. 5:45 3-2-1. 6:45 Copy Cats. 7:15 Blind Date. 8:00 Home To Roost. 8:30 Murder, Mystery, Suspense: "Who Killed Miss USA?" starring Dennis Weaver. 10:15 News and Sport. 10:35 Crazy Like A Fox. 11:30 Drive-in Movie: "Carquake" starring David Carradine. 1:05-6:00 am Night Network.

CHANNEL 4

9:30 am Coping. 10:00 Moneyspinner. 10:30 Scotland's Story. 11:00 Old Country. 11:30 Dancin' Days. 12:00 British Speed Chess Championships. 12:45 pm Murun Buchstansangur. 12:50 Racing from Newcastle. †2:50 "The Quiet American" starring Audie Murphy.

5:05 Brookside Omnibus. 6:00 Right To Reply. 6:30 To the End of the Rhine. 7:00 News Summary and Weather followed by Seven Days. 7:30 Bandung File. 8:30 Gnostics. 9:30 A Fine Romance. 10:00 St Elsewhere. 11:00 Saturday Almost Live. †12:00 "Spectre of the Rose": Melodrama. †1:40 am The Mysteries of Edgar Wallace.

S4C WALES

9:00 am Coping. 10:00 What The Papers Say. 10:15 Years Ahead. 11:00 Movie On Four. 11:30 Second Glance. 11:45 Sea War. 12:15 pm Scotland's Story. 12:50 Racing From Newcastle. †2:50 Film: "Parnell" starring Clark Gable. 5:00 What on Earth is Going On. 6:00 Right To Reply.

6:30 A Houseful of Plants. 7:00 To the End of the Rhine. 7:30 Newyddion. 7:50 Pantymora '87. 8:20 Pant. 9:20 Y Mess Chwerae. 10:10 Film: "Exit" (Italian with English subtitles). 10:30 The Golden Girls. 11:00 Saturday Almost Live. 12:00 Film: "Spectre of the Rose". 1:40 am The Mysteries of Edgar Wallace.

IBA Regions as London except at the following times:

ANGLIA

11:30 am Randall & Hopkirk (Deceased). 12:30 pm A.L.F. 1:00 ITN News, Anglia News. 5:05 Anglia News and Sport.

BORDER

11:30 am Groovy Ghoulies. 12:00 UFO. 1:00 Border News and Weather. 4:30 pm Cartoon Time. 10:35 Easy Street. 11:05 Heart Of The City. 12:00 Starring The Actors.

CENTRAL

11:00 am Family Film: "The Return of the Man From U.N.C.L.E." starring Robert Vaughn and David McCallum. 12:45 pm Woody Woodpecker. 10:35 Prisoner Cell Block H. 11:30 "Farewell My Lovely" starring Robert Mitchum and Charlotte Rampling. 1:15 am Fleetwood Mac. 2:35 Film: "Simba" starring Dirk Bogarde. 4:20 Central News followed by Central Jobfinder.

CHANNEL

11:30 am Streethawk. 12:30 pm Survival Of The Fittest. 12:58 Today's Weather.

GRAMPIAN

11:30 am Pick A Number. 12:00 Highway To Heaven. 12:55 pm Home Cookery Club. 11:30 NBD Music Special - "Chick Corea and the Electric Blues Band". 12:30 am Reflections.

GRANADA

11:30 am Saturday Matinee: "Red Mountain". 2:15 pm Easy Street. 10:35 The Big Match. 11:25 Star Movie: Paul Newman in "Hombre". 1:25 am Police Woman. 2:20 America's Top Ten.

HTV

11:30 am Easy Street. 12:00 A.L.F. 12:30 pm America's Top Ten. 10:35 West Country Soccer. 11:20 "Nightmare" starring Richard Crenna, Patty Duke Astin and Vic Morrow. HTV WALES: SAME AS HTV WEST EXCEPT: 10:35-11:20 pm Club Rugby: Llanelli v Swansea.

SCOTTISH

11:30 am America's Top Ten. 12:00 Highway To Heaven. 10:30 pm Late Call. 10:35 An Invitation to Remember. 11:05 Film: "The Man Who Could Cheat Death".

TSW

11:30 am The Greatest American Hero. 12:25 pm Gus Honeybun's Magic Birthdays. 12:30 The South West Week. 10:35 Sports Special: Rugby County Championship match between Devon and Gloucestershire. 11:05 Film: "The World's Greatest Lover" starring Gene Wilder and Carole Kane. 12:40 am Postscript. 12:45 South West Weather and Shipping Forecast.

TVS

11:30 am Streethawk. 12:30 pm Survival Of The Fittest. 12:57 TVS Weather. 1:00 ITN News.

TYNE TEES

11:30 am "The Return of the Cisco Kid". 12:30 pm Cartoon Time - Roger Ramjet. 11:30 Meltdown. 12:30 am Poetry Of The People.

ULSTER

11:30 am Feature Film: "Treasure Island". 12:55 pm Cartoon Time. 1:03 pm Ulster Newstime. 10:32 Ulster Newstime. 10:35 Magnum. 11:30 Mountbatten - The Last Viceroy. 12:30 am Ulster Newstime.

YORKSHIRE

11:30 am Film: "Treasure Island" starring Boris Andreivev as Long John Silver. 12:55 pm Cartoon Time. 10:35 Hammer House of Horror Film: "Rude Awakening" starring Denholm Elliot, Pat Heywood and Eleanor Summerfield. 11:35 The Saturday Late Film: "Blood Feud" starring Sophia Loren. 1:30 am Meltdown. 2:30 Jobfinder.

(s) Stereo on VHF

BBC RADIO 2

6:05 am David Jacobs. 9:05 Sounds Of The 60s with Bobby Vee. 10:00 Michael Aspel. 12:00 Album Time. 1:00 pm The News Huddlines. 1:30 Sport On 2 including Football; Tennis: semi-finals of the Benson and Hedges Championship; Rugby Union (Wasps v Bath); Rugby League: The John Player Trophy: St Helens v Widnes; Racing from Cheltenham; Cricket: England v Pakistan.

6:00 Brain Of Sport 1987. 6:30 Look What They've Done To My Song. 7:00 The Press Gang. 7:30 An Evening with Tommy Steele. 9:30 String Sound. 10:05 Martin Kelner. 12:05 am Night Owls with Dave Gelly. 1:00 Bill Rennells presents 'Nightride'. 3:00-4:00 A Little Night Music.

BBC RADIO 3

7:00 am News. 7:05 Morning Concert. 9:00 News. 9:05 Record Review. 10:15 Stereo Release. 11:35 BBC Scottish Symphony Orchestra in Poland. 1:00 pm News. 1:05 String Quartets in Salzburg. 2:00 Schubert piano music: A-minor Sonata (D 784) and the Wanderer Fantasy. 2:45 Amadeus String Quartet.

5:00 Jazz Record Requests. 5:45 Critics' Forum. 6:35 York Early Music Festival (new series) Consort of Musicke directed by Anthony Rooley (lute): Marenzio, Dugoral, Luca Marenzio. 7:25 Drawing the Line. 7:45 Poulenc (Pascal Roge - piano - plays the 'Soirees de Nazelles'.

8:15 Shostakovich (with BBC2) Symphony No 5 played by the BBC Welsh Symphony Orchestra. 9:05 Cello and Piano: Alan Bush (Concert piece), Roger Sacheverell Coke (Sonata No 2) played by Alexander Baillie and Piers Lane.

9:35 The Dangerous Edge of Things (The life and work of Graham Greene with contributions from Anthony Burgess, John le Carre, Sir Hugh Greene, Dilys Powell and Greene himself.) 11:10 Borodin String Quartet plays Shostakovich's Quartet No 15. 11:57-12:00 News.

BBC RADIO 4

7:00 am Today. 9:00 News. 9:05 Sport On 4. 9:30 Breakaway. 10:00 News; Loose Ends. 11:00 News; The Week in Westminster: Peter Riddell, Political Editor of the Financial Times, presents a personal view. 11:30 From Our Own Correspondent. 12:00 Money Box.

12:25 pm The News Quiz (s). 12:55 Weather. 1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Second Edition. 3:00 News; Play: Tomorrow Never Comes. 4:30 Science Now in Budapest. 5:00 Conversation Place. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News, including Sports Round-Up.

6:25 Citizens (s) Omnibus edition. 7:10 Stop The Week with Robert Robinson (s). 7:45 A Graham Greene Anthology (s) "The Confidential Agent". 9:15 Music in Mind (s). 9:50 Ten To Ten (s). 9:59 Weather. 10:00 News. 10:15 The Saturday Feature: "Zooming To Heaven" (Bernard Jackson visits southern India to meet a Benedictine monk, Bede Griffiths, and discover why he is revered by some of the local people.

10:45 I've Been Together Now For 70 Years (Johnny Morris presents his radio autobiography in the seventh of eight programmes). 11:00 Up the Garden Path (s). 11:30 Star Terk II (s) - Comedy by Terry Ravenscroft. 12:00-12:15 am News; Weather.

SUNDAY

†Indicates programme in black and white

BBC1

8:55 am Play School. 9:15 Articles of Faith. 9:30 This is The Day. 10:00 Bazaar. 10:30 Discovering Portuguese. 10:55 Telejournal. 11:20 A Vous La France! 11:45 Espana Viva. 12:10 pm Sign Extra. 12:35 Farming. 12:58 Weather for farmers. 1:00 This Week, Next Week. 2:00 Eastenders. 3:00 Film: "Casino Royale" starring Peter Sellers, David Niven, Ursula Andress, Woody Allen, Orson Welles, Jean-Paul Belmondo, George Raft and Jacqueline Bisset.

5:05 Cartoon Double Bill. 5:20 Watchdog. 5:45 Vanity Fair. 6:15 Lifeline. 6:25 News. 6:40 Songs Of Praise. 7:15 Ever Decreasing Circles. 7:45 Howards' Way. 8:35 Bread. 9:05 Fortunes Of War. 10:05 News. 10:20 Everyman. 11:00 Welcome To My World. 11:30 The Sky at Night. 11:50 Network East.

BBC2

7:20 am Australian Grand Prix. 9:10 Now On Two. †9:35 Whirlybirds. 10:00 Odysseus: The Greatest Hero of Them All. 10:15 The Charlie Brown and Snoopy Show. 10:40 Now It's You. 10:45 Blue Peter Omnibus. 11:35 Ernie's Incredible Illucinations. 12:00 Windmill. 1:00 pm No Limits. 2:00 Rugby Special. 2:40 Tennis: The Benson and Hedges Championships.

5:10 Music in Camera. 5:50 Review. 6:30 The Money Programme. 7:15 The Travel Show Guide. 7:30 The Great Philosophers. 8:35 The Natural World. 9:25 Did You See...? †10.05 Film: "Brute Force" starring Burt Lancaster and Charles Bickford. 11:40 Grand Prix (Highlights of this morning's Australian Grand Prix. 12:15-1:00 am Tennis.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Wake Up London. 9:35 Sunday At No 73. 10:00 No 73. 10:30 The Adventures of Black Beauty. 11:00 Morning Worship. 12:00 Weekend World. 1:00 pm LWT News Headlines followed by Police 5. 1:15 Link. 1:30 The Smurfs. 2:00 The Human Factor. 2:30 The Big Match Live: Manchester United v Liverpool. 4:30 Knights Of God. 5:00 Bullseye.

5:30 Sunday Sunday. 6:30 News. 6:40 Highway. 7:15 Bruce Forsyth's Play Your Cards Right. 7:45 Live From The Palladium. 8:45 News. 9:00 The Charmer. 10:00 Spitting Image. 10:30 The South Bank Show. 11:30 LWT News Headlines followed by American Documentary. 12:30 am Mary. 1:00-3:30 Night Network.

CHANNEL 4

9:25 am Movie Mahal. 10:00 The World This Week. 11:00 Pob's Programme. 11:30 Worzel Gummidge Down Under. 12:00 The Waltons. 1:00 pm Treasure Hunt. 2:00 Empress WU. †2:30 "Miracle in Milan" (Miracolo A Milano). 4:15 The London Nobody Knows. 5:10 World of Animation: Calypso Singer. 5:15 News Summary followed by The Business Programme. 6:00 American Football. 7:15 Saving the Tiger. 8:15 An Idea of Europe. 8:45 Winds of Change, Winds of Love. 9:45 The Movies Go To War. †11:50 Scales of Justice.

S4C WALES

9:00 am Hafoc. 10:00 The World This Week. 11:00 7 Days. 11:30 Worzel Gummidge Down Under. 12:00 The Waltons. 1:00 pm Arwyddion Ffyrdd. 1:30 Off The Page. 2:00 Feature Film: "Fame is The Spur" starring Michael Redgrave with Rosamund John, Bernard Miles and David Tomlinson. 4:15 Equinox (s). 5:15 The Business Programme. 6:00 American Football. 7:15 Sam Tan. 7:20 Newyddion. 7:50 Rhaglen Hywel Gwynfryn. 8:10 Pobol Y Cwm. 8:40 Dechrau Canu, Dechrau Canmol. 9:10 Hel Straeon. 9:40 Blwyddyn Y Brenin. 10:40 St Elsewhere. †11:35 Scotland Yard.

IBA Regions as London except at the following times:

ANGLIA

9:25 am Sunday At No. 73 including Speedy and Daffy. 1:00 pm Link. 1:15 Bioscope Bygones. 1:20 Anglia News. 1:25 Weather Trends. 1:30 Farming Diary. 5:00 Man In A Suitcase. 6:00 Bullseye.

BORDER

9:25 am Sunday At No 73 including Speedy and Daffy. 1:00 pm Farming Outlook. 1:30 Border News. 1:35 Cartoon Time. 1:40 Link. 2:00 Highway To Heaven. 6:00 Bullseye. 11:30 James Galway Invites.

CENTRAL

1:00 pm Central News. 1:05 Central Post. 1:15 Link. 1:30 Here and Now. 5:00 Highway To Heaven. 6:00 Bullseye. 11:35 Central News. 11:30 Prisoner Cell Block H. 12:25 am Donahue. 1:25 Thriller Classic: "Assignment Redhead" starring Richard Denning. 2:50 Central News followed by Central Jobfinder.

CHANNEL

1:00 pm Link. 1:15 Les Francais Chez-Vous. 1:30 Enterprise South. 4:30 Bullseye. 5:00 Knights Of God.

GRAMPIAN

9:25 am Cartoon. 11:00 Horses' For Courses. 11:30 A Touch of Music. 1:00 pm Farming Outlook. 1:30 Spacewatch. 1:45 Link. †2:30 Film: "Appointment in Honduras" starring Glenn Ford and Ann Sheridan. 4:00 Bullseye. 5:00 Scotsport. 11:30 James Galway Invites... 12:00 Reflections.

GRANADA

9:25 am Speedy and Daffy. 1:00 pm Members Only. 1:35 This is Your Right. 1:35 Aap Kaa Hak. 1:40 Link. 5:00 Who's The Boss? 5:30 Bullseye. 6:00 Down To Earth. 11:30 The Silk Road.

HTV

9:25 am Sunday At No 73 including Speedy and Daffy. 1:00 pm West Country Farming followed by Weather for farmers. 1:30 Cartoon Time. 1:45 Link. 5:00 Highway To Heaven. 6:00 Bullseye. 6:35 HTV News. 11:30 America's Top Ten. 12:00 Automate, Emigrate or Evaporate - The New Factory.

SCOTTISH

9:25 am Sunday at No. 73. 1:00 pm Canadian Documentary. 1:15 Link. 1:30 Farming Outlook. 2:00 The Gods Of War. 2:30 Film: "The Daydreamer" starring Cyril Ritchard, Paul O'Keefe, Jack Gilford and Ray Bolger. 4:00 Bullseye. 5:00 Scotsport. 11:30 Late Call. 11:35 Hunter.

TSW

9:25 am Sunday At No 73 followed by Speedy and Daffy. 1:00 pm Action South West. 1:10 Farming News. 1:45 Link followed by South West Link. 4:30 Gardens For All. 5:00 Knights of God. 5:30 A.L.F. 6:00 Bullseye. 6:35 TSW News. 11:30 T J Hooker. 12:25 am Postscript Review.

TVS

9:25 am He-Man and the Masters of the Universe. 1:00 pm Link. 1:15 Action! 1:27 TVS Weather. 1:30 Enterprise South. 4:30 Bullseye. 5:00 Knights of God.

TYNE TEES

9:25 am Hello Sunday. 1:00 pm Farming Outlook. 1:30 The Smurfs. 1:45 Link. 5:00 Who's The Boss? 5:30 Northern Life Sunday Edition. 6:00 Bullseye. 11:30 At The Movies. 12:00 Epilogue.

ULSTER

9:25 am Sunday At No 73 and Speedy and Daffy. 12:58 pm Ulster Newstime. 1:00 Ask Anne? 1:15 Link. 1:30 Advice with Anne Hailes. 1:58 Farming Weather. 5:00 Finding Fax Future. 6:00 Bullseye. 6:35 Ulster Newstime. 6:57 Ulster Newstime. 11:35 The Silk Road. 12:40 am Sports Results. 12:35 Ulster Newstime.

YORKSHIRE

9:25 am Cartoon Time: Speedy and Daffy. 1:00 pm Cartoon Time. 1:10 Link. 1:25 Farming Diary followed by Farming and Inshore Weather. 5:00 Hart To Hart. 6:00 Bullseye. 11:30 Dionne Warwick in London. 12:30 am Five Minutes. 12:35 Jobfinder.

(s) Stereo on VHF

BBC RADIO 2

7:30 am Roger Royle says 'Good Morning Sunday'. 9:05 Melodies For You, introduced by Richard Baker. 11:00 Desmond Carrington with your Radio 2 All-Time Greats. 2:00 pm Benny Green. 3:00 Alan Dell. 4:00 Brooks Aehron's Serenade. 4:30 Sing Something Simple with the Cliff Adams Singers. 5:00 Charlie Chester with your Sunday Soapbox. 7:00 The Random Jottings of Hinge and Bracket.

7:30 Ian Wallace Presents... 8:30 Sunday Half-Hour, from Leyhill Prison in Gloucester. 9:00 Your Hundred Best Tunes. 10:05 Songs From The Shows with the BBC Radio Orchestra. 10:45 Steve Miller at the piano. 11:00 Sounds of Jazz with Tony Russell. 1:00 am Bill Rennells presents 'Nightride'. 3:00-4:00 A Little Night Music.

BBC RADIO 3

7:00 am News. 7:05 Netherlands Wind Ensemble. 8:00 World Service News. 8:10 Schumann Songs and Symphonies. 9:00 News. 9:05 Your Concert Choice. 10:30 Music Weekly. 11:15 Rudolf Firkusny, piano recital: Jiri Benda, Vorisek, Tomasek, Janacek. 12:15 pm Words (Talk by Lord Rawlinson). 12:20 Christoph Willibald Gluck-Don Juan: Ballet in three acts. 1:05 Oboe and Piano, music by Richard Rodney Bennett and York Bowen played by Malcolm Messiter and John Lenehan.

1:40 From the Festivals 1987: Wagner's "Lohengrin" recorded at this year's Bayreuth Festival with Paul Frey in the title role (in German) (2:45-2:50; 4:15-4:20 Interval Readings). 5:35 Chikamatsu. A dramatised documentary about Chikamatsu Monzamon, the 18th-Century founder of the Bunraku puppet theatre of Osaka, Japan. 6:15 York Early Music Festival. 7:10 Drawing the Line: "Sex and All That" (Colin Morris, BBC Controller Northern Ireland, gives the third of four reflections on tastes and standards in BBC programmes. 7:30 BBC Symphony Orchestra, direct from the Royal Festival Hall, part 1: John Corigliano (Fantasia on an Ostinato). Barber (Violin Concerto, played by Rodney Friend).

8:10 The Pointing Finger: David Elliott on the policy towards art and culture in the Soviet Union of the 1930s. 8:30 Concert, part 2: Shostakovich (Symphony No 4). 9:45 A Most Delightful Art (Secular music of Renaissance Italy, by Festa, Nola, Willaert and Azzaiolo). 10:25 Faure Piano Music (Recital by Julian Jacobson). 11:00 Bournemouth Sinfonietta Plays Mozart: Schubert (Overture, D 590), Berg (Three pieces from the Lyric Suite), Mozart (Violin Concerto No 5 K 219, played by Lydia Mordkovitch). 11:57-12:00 News.

BBC RADIO 4

7:00 am News. 7:10 Sunday Papers. 7:15 On Your Farm. 7:40 Sunday. 8:50 The Week's Good Cause. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter From America by Alistair Cooke. 9:30 Morning Service from the Anglican Chaplaincy in Bangor, North Wales. 10:15 The Archers. 11:15 News Stand. 11:30 Pick of the Week (s). 12:15 pm Desert Island Discs (s). 12:55 Weather. 1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 A Graham Greene Anthology (s) "Our Man in Havana: dramatised in three parts. 3:30 The Radio Programme. 4:00 News; To China for Steam.

4:47 The Butterfly Collectors. 5:00 News: Down Your Way. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 At Least It's Live. 6:30 International Assignment. 7:00 News; Soundings "New Memories for Old" (s). 7:30 Castles in Spain (s). 8:00 Bookshelf. 8:30 A Word in Edgeways. 9:00 News: An Englishman's House (s). 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 Monty - Portrait of a Soldier (Frank Gillard presents a portrait of one of the most distinguished military commanders of the 20th century, Field Marshal Viscount Montgomery of Alamein. 11:00 The Root of the Matter. 11:30 Seeds of Faith (s). 12:00-12:15 am News.